THE ACCOUNTANT

THE RECOGNIZED WEEKLY JOURNAL FOR THE ACCOUNTANCY PROFESSION THROUGHOUT THE WORLD

GENERAL INDEX

VOLUME CLI – Nos. 4672 – 4697

JULY to DECEMBER 1964

GEE & CO (PUBLISHERS) LIMITED

151 STRAND, LONDON WC2

INDEX TO THE ACCOUNTANT

JULY TO DECEMBER 1964

VOL. CLI

To facilitate reference to this volume, many of the page numbers have italic letters added, indicating:

a ..	Articles	*l* ..	Lectures, Addresses, etc.	*f* ..	Finance and Commerce
c ..	Correspondence	*wn* ..	Weekly Notes	*p* ..	In Parliament

J

INDEX TO SUMMARIES OF TAX CASES

Printed and Published in Great Britain by Gee & Co (Publishers) Ltd, at The Priory Press, London Road, St Albans, Herts.

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE ACCOUNTANT

ESTABLISHED 1874

JULY 4TH, 1964 VOL. CLI. NO. 4672

CONTENTS

Whither Accountancy?

THE latest issue of *The Sunday Times* contained an article headed 'Accountancy: What's wrong?'. Described as 'challenging and controversial' the article was written by a chartered accountant who is also a Fellow of The Institute of Cost and Works Accountants. It was not stated of which body of chartered accountants the writer is a member; it *was* apparent that he was not sure of his facts – as witness his mis-statement that membership of the Council of the English Institute is 'confined to members who practise publicly and are not employed in industry'.

The author stated that the accountancy profession 'seems unprepared to meet the changing demands of industry' and that the gulf between accountants holding industrial posts and those in public practice widens. We do not agree with him on either of these points or, indeed, with his views on many others raised in this article. The title of the article itself suggests that something is wrong with the accountancy profession. We do not think there is; though this is not to say that the profession can be complacent or rest on its achievements during the last seventy-five years.

The writer asks whether the setting up of the joint diploma in management accounting – announced last January, not April as he states – represents the opening of a new era for accountants in British industry or is it, he asks, 'putting a desperate foot into a door they see closing before them'. In our view it represents neither of these things and in thus commenting the writer has missed the boat – or perhaps we should say 'missed the computer'. How many articled clerks can say until after they have qualified whether they will go into industry or stay in public practice? Very few, we suggest; indeed, there are many who really do not know the answer to this problem for some years after qualifying – if they do even then.

Industry offers higher rates of pay to the young qualified accountant than many professional firms and few are prepared to wait for the possibility that they may, sometime in the future, be offered a suitable partnership in a professional firm. But we do know that there are those who, having qualified, go into industry and then return to the profession.

During articles, and if he is wise in the year or two which follow, the aspiring accountant will gain experience of the working of a wide variety of industrial concerns and can the more easily use this experience, and to greater advantage, when he specializes later.

The article suggests that in the profession the accountant gains 'a name for ultra caution and indecision which is perhaps not surpris-

ing when the limit of decision making in their training has been in the colour of the audit ticks'. One wonders how long ago it is since the writer did *his* training and in what type of office? In all good professional offices, articled clerks and newly-qualified members are taught to take decisions, and what is more important to accept responsibility for the decisions they take whether in advising clients on an infinite variety of matters affecting their business and personal affairs, or in correspondence and discussions with the Inland Revenue, or in management services.

Some of the larger firms have spent vast sums in research. The recently published *Manual of Computer Systems*, edited by Mr BRIAN MAYNARD and published by Gee & Co (Publishers) Ltd, would not otherwise have been possible. There has been an enormous amount of collaboration in recent years not only between the accountancy bodies in the United Kingdom but with those in Europe and on a wider international basis, which we are sure will go on. But there are many difficulties of language, and in the meaning of accountancy terms even when expressed in the English language, which must be overcome.

The writer of the article states that 'the conservative trait in accountants can be seen in the tendency of companies to restrict published accounts information to the minimum'. Such a statement is a reflection on accountants in industry who are primarily responsible for the production of such accounts, rather than their brethren in practice, and also, it must be emphasized, on company management itself. It is a question of how fast can accountants lead management to publish more information. However, nowadays the statement is by no means true. Indeed, we have every reason to know that during the last ten years in which *The Accountant* Annual Awards scheme has been operating, tremendous strides have been made in this field and more informative and better produced accounts have become increasingly available to shareholders of public companies. We think that there has also been a steady improvement in this period in the form and content of the accounts of private companies.

After the quite unfounded statement that accountants in public practice regard their colleagues in industry as 'rather *infra dig*', the writer of the article goes on to say that an interesting sidelight on the social rating in the profession is that an accountant employed in teaching other accountants accountancy is 'considered to have failed somewhere'. The truth is that not many young qualified accountants are prepared to live a life of continuous study which is what is required of those who teach. Having done five years' study, or perhaps three years in obtaining a degree and a further three years in obtaining his professional qualification, most newly-qualified men feel that they have had enough grind and are not inclined therefore to devote their energies to teaching. But those who do so are certainly not 'considered to have failed somewhere'.

Accountants in professional practice are constantly looking for new and better ways of obtaining and presenting financial and management information of value in the conduct of industry and commerce. Modern equipment and techniques have been and will continue to be used to this end. Of course people not trained as accountants can do this, but we believe that those who have received a general professional training in the early stages of their careers can do so to greater advantage and for the greater benefit of industrial management.

We also believe the leaders of the accountancy profession are alive to this fact and to its implications so far as the public is concerned. This is certainly one of the reasons for the introduction of the diploma in management accounting.

Nothing is fundamentally wrong with the accountancy profession, unless it is perhaps that newly-qualified accountants tend to go into industry too soon (because of early greater reward) and that they are too prone to rest on their laurels instead of embarking on a period of post-graduate study – which may continue all their professional lives.

It is no exaggeration to say that the profession in Britain pioneered accountancy throughout the English-speaking world. It was largely through the influence of emigrating English and Scottish accountants that the American Institute was established; in the Commonwealth countries the professional organizations are largely shaped and conducted on the lines of the British bodies. Despite the criticisms levelled at it by the writer in *The Sunday Times*, the profession is very much a vital force and we have no doubt that it will meet the demands made of it in the future as it has in the past.

Setting up Business in Belgium

CONTRIBUTED

BELGIUM merits the careful consideration of anyone wishing to establish a subsidiary or branch in one of the Common Market countries. It has the lowest rate of corporate income tax of any of these countries, and in no case does individual income tax exceed 50 per cent of taxable income.

Geographically located in the heart of Europe's most dense and industrialized region and well serviced by railways, roads and waterways (Antwerp is one of the largest ports in the world), Belgium exports a larger share of its manufactured products than any other country. Foreign enterprises are not discriminated against in any way and special – and substantial – incentives are offered to new industries by Governmental and local authorities. The currency is stable and the standard of living is one of the highest in Europe.

Concessions to Local Industries

Legislation, passed in July 1959, grants Government aid for the creation, expansion, conversion and modernization of local industries. Various degrees of assistance are provided. There is (i) general aid in favour of any project which will promote new industrial activity; (ii) special aid favouring the same project if it complies with certain objectives fixed by the Government's five-year programme; (iii) regional aid directed towards encouraging economic development in depressed areas; and (iv) complementary aid which grants advantages to industrial investments made in periods of slow economic activity.

Government assistance can take any one or more of the following forms: it will (*a*) assume, through subsidies, part of the interest on special loans granted by credit institutions for the financing of industrial buildings and/or equipment and the strengthening of working capital, with the result that the rate of interest payable by borrowers may be as low as 1 per cent; (*b*) guarantee the reimbursement of the principal and interest of loans granted by banks and credit institutions to private industrial concerns; (*c*) subsidize part of the cost of investment in buildings or equipment; (*d*) buy or build industrial plants with a view to selling or leasing them on favourable terms to Belgian or foreign nationals; (*e*) grant non-interest-bearing loans for industrial research; and (*f*) grant five years' exemption of the real estate tax due on new real property investments. Furthermore, subsidies are exempt from the taxes on income.

The additional advantages to be derived from the location of a new industry in a development area are that maximum interest rate reductions on loans may be enjoyed for up to eight years; credit facilities are greater; grants or subsidies are available for the building of plant and/or the buying of equipment, and there is tax exemption on capital gains invested in the same or another development area. Development areas are widespread throughout the country, and some local authorities, whose areas have not been designated as such, offer similar inducements so as not to be left out of the running. As in Britain, planning and other permissions are necessary for the erection of an industrial plant or commercial building, while special permission is necessary in the case of dangerous, insanitary or noxious trades. There are regulations concerning 'professional cards' (which are required for foreign nationals who are appointed directors of a Belgian company) and 'working permits' (which are required for workmen and employees of foreign nationality). Both can be obtained without much difficulty.

Corporate Structure

Belgian law recognizes five different kinds of legal entity, viz. partnerships and limited partnerships (as in Scotland), public and private companies and co-operative societies. The most suitable type for the purpose of establishing a subsidiary of a foreign company is the *Société Anonyme* (S.A.) which is a joint-stock company with limited liability.

Every person and company incorporated for the purpose of conducting business must, before actually starting a branch, agency or other independent organization, register with the Register of Commerce. This is done by filing a declaration, in approved form, with the Clerk of the Commercial Courts having jurisdiction over the area in which the activities are to be carried on. The

registration number, together with the reference of the particular Court with which the declaration has been filed, must then appear on all legal documents, invoices, bills, letters and other commercial papers.

The usual way of establishing an S.A. is for the founders to execute articles of incorporation before a notary, who is a public officer in charge of authenticated instruments. The authenticated document must contain a list of subscribers (who must not be fewer than seven); details of the capital, which must be fully subscribed either in cash or physical assets, but may be paid up by instalments provided that a minimum of 20 per cent is paid up at the time of formation; the full text of the articles of incorporation and 'by-laws', and a detailed schedule of and valuation report on the physical assets to be brought in.

Certain information relating to the new company, including the articles of incorporation and by-laws, must be published in the official gazette (*Moniteur Belge*). The total cost of registering an S.A. is about 2·5 per cent of the issued capital, which includes registration tax of 1·6 per cent and stamp duty of 0·7 per cent. Company directors and auditors need not be Belgian nationals, but may all be foreigners and live abroad. The capital may also be entirely foreign, and there is no limitation on the repatriation of capital or profits.

The final authority of an S.A. rests with the stockholders who vote at general meetings. In addition to meetings called by the directors and auditors on their own initiative, the directors must, at the request of stockholders holding at least 20 per cent of the subscribed capital, call a general meeting at any time. No special quorum is required by law at stockholders' meetings, except in the case of amendments to the articles of incorporation which have to be passed by a 75 per cent majority of stockholders. Voting rights are proportionate to the amount of capital they represent, subject to the qualification that no stockholder may exercise voting rights in excess of one-fifth of the rights attached to the total number of shares of the company, or two-fifths of the rights attaching to the shares represented either personally or by proxy at the meeting of stockholders.

The board of a S.A. must comprise at least three directors, who are elected for maximum terms of six years and need not necessarily be stockholders. But both directors and auditors must 'deposit', or have 'deposited' for them, the number of shares specified in the articles of incorporation to enable them to qualify as such. The powers of the directors and the regulations governing procedural matters are usually set out in the articles of incorporation and by-laws. Directors may be dismissed at any time by a majority of votes of stockholders at general meetings.

The accounts must be 'supervised' by one or more auditors, and 5 per cent of the net profit of each year must be transferred to a 'legal reserve' until this account reaches 10 per cent of the issued capital. The annual balance sheet and profit and loss account must be published in the *Moniteur Belge*.

Where a business incorporated abroad proposes to open a branch in Belgium, decisions of the board relating to the opening of the branch and the appointment of a manager or representative in Belgium and his powers must be certified by a public notary. Where the branch carries on a trade or manufacture, the foreign company must register with the Register of Commerce and publish in the *Moniteur Belge* all documents which Belgian companies are legally compelled to publish. A foreign company having a permanent establishment in Belgium must also appoint a guarantor (which may be a bank or Belgian corporation) for the purpose of insuring the payment of taxes.

Business Financing

The foreign investor wishing to establish a business in Belgium can do so either by founding a new company or by absorbing an existing one. The issue of shares and bonds to the public is subject to the control of the *Commission Bancaire* (Banking Commission) which can veto the issue for a period of up to three months in two cases: (i) when the proposed issue is likely to upset the equilibrium of the capital market, and (ii) when the issue is likely to lead to confusion in the minds of subscribers regarding the nature of the operation and the rights attached to the securities. A notice must be published in the *Moniteur Belge* prior to the issue, and the prospectus must contain, *inter alia*, the following information: (*a*) the rights attached to the securities; (*b*) the purpose of the issue; (*c*) the assets and liabilities of the company; (*d*) the industrial and financial programme; and (*e*) the profit record.

An application for a quotation on the stock exchange is authorized only if the company's capital and reserves amount to at least FB10 million (about £75,000) and it has published a balance sheet and profit and loss account for at

least two previous financial years. Securities listed on the stock exchange must be in the form of bearer shares and fully paid up.

Surplus profits and a surplus resulting from the revaluation of fixed assets can be capitalized without incurring liability to tax, but the notary's fee, fixed registration tax of FB100 and stamp duty are payable as on the constitution of a new company. In the case of investments which have been held for more than five years, however, it is possible to set aside the surplus tax-free, and then incorporate it in the capital without its becoming subject to registration duty. There is no limit to the rate of interest charged on inter-company loans, but the fiscal authorities will not accept a higher rate than 9 per cent. Long-term bonds carry interest rates ranging between 5 and 7 per cent, while short-term bank credit and medium-term loans guaranteed by the Government are obtainable at rates varying from 3½ to 5½ per cent, being generally some 2 per cent higher than the discount rate of the Banque Nationale de Belgique. Two special finance organizations, 'credit-export' and 'credit-export-pool II' offer additional facilities to exporters by rediscounting bills covering exports with maturity dates up to, and exceeding, five years respectively. The *Office National du Ducroire* insures long-term credits for exports.

Taxation

From a business point of view, Belgian taxes can be classified under three headings: (*a*) income tax, (*b*) customs and excise duties, and (*c*) taxes on the transfer of property.

Income tax is divided into four categories: (*a*) individual tax, (*b*) corporate tax, (*c*) legal entity tax (which is applicable to non-profit making organizations or entities), and (*d*) non-resident tax (which applies to non-residents and foreign corporations and is payable only on income or revenue earned in Belgium). Income tax replaced five other taxes which were abolished in November 1962.

Corporate income tax is payable by companies, associations, establishments or organizations engaged in profit-making activities, which are registered as legal entities and whose registered office, main establishment, management or head office is located in Belgium.

Gross income includes all earnings resulting from the activities of the company, while deductible items consist of rent, loan interest, wages, salaries, pensions, fees, commissions, compensations, capital loans and amortization. Gross interest represents a deductible item for tax purposes provided the name of the beneficiary of the interest is disclosed to the tax authorities and the *précompte mobilier* (below) is properly withheld and turned over to the tax collector. Directors' and auditors' fees, however, are only deductible if they remunerate actual and permanent functions of the company.

In the case of investment income, 85 per cent of the net amount received by the company may be deducted in determining the taxable base. But this deduction may be increased to 95 per cent in the case of industrial companies which own shares the investment value of which does not exceed 50 per cent of the paid-up capital or the paid-up capital plus taxes, reserves and capital gains.

The standard rate of corporate income tax is 30 per cent. In the case of retained earnings in excess of FB5 million, the rate is 35 per cent on the excess amount, but the additional 5 per cent is refunded when the retained earnings are distributed. Where undistributed earnings are below FB1 million, the rate is 25 per cent. The basic corporate income tax is subject to a surcharge of 15 per cent which can be suppressed or reduced to 7·5 per cent by advance payments.

The whole of the profits of a company, before deduction of any dividend, are subject to the corporate income tax referred to in the preceding paragraph, but half this tax, referred to as *credit*

Examples

	FB
(1) Net profit before tax	100
Corporate income tax	30
	70
Précompte mobilier (FB 15 on 70×85/70)	12·75
Net dividend	57·25
Tax incidence on distributed profits	42·75
(2) Profits (all distributed)	600,000
Corporate income tax at 30 per cent	180,000
Gross dividends, including *credit d'impôt*– FB420,000×FB85/FB70	510,000
Précompte mobilier FB510,000×15 per cent	76,500
Net dividends to shareholders ..	343,500
Amount to be declared by individual shareholders – 420×85/70 ..	510,000
Total amount of taxes to be credited against individual income tax FB343,500×FB27·75×FB57·25 ..	166,500

d'impôt (tax credit) is credited against the shareholder's total tax liability in so far as it relates to the dividend. There is withheld at source a 15 per cent levy called *précompte mobilier* (personal property income tax prepayment, though personal estate tax has been abolished as a separate and distinct tax). This, too, is credited against the shareholder's total tax liability, but no part may be refunded before the fiscal year 1966.

In the case of resident stockholders, the agent effecting the payment of dividends, such as a bank or stockbroker, must also withhold an amount equal to yet another 15 per cent of the net dividend paid out to the stockholder in case the latter does not disclose the payment to the Revenue. This amount, called *précompte de controle*, is not withheld from dividends distributed before January 1st, 1965, to non-residents, and after that date will depend on the provisions of tax conventions with other nations.

As a rule, capital gains are subject to corporate income tax, but there are substantial concessions where the gains relate to assets which have been owned for more than five years, or are reinvested in fixed assets for the purpose of establishing a new company or for increasing capital. In the event of a dissolution, the company pays a 30 per cent tax on amounts distributed in excess of the paid-up capital – revalued if necessary – that do not exceed the amount of previously retained earnings, and a 15 per cent tax on amounts in excess of the latter.

Companies which do not have a registered office, main establishment, management or head office in Belgium pay non-resident income tax. This is a straight 35 per cent, plus a possible $7\frac{1}{2}$ or 15 per cent in certain circumstances.

Customs duties are levied at the time of importation of goods on an *ad valorem* basis. The rates are uniform throughout the three countries comprising Benelux, and industrial raw materials and foodstuffs generally enter the country tax free. Similarly, the Treaty of the European Coal and Steel Community abolished customs duties on coal, iron and steel moving within member countries (Belgium, France, Germany, Italy, Luxembourg and Holland). Belgium is also a member of the European Economic Community whose aim is to abolish progressively all obstacles to trade among the same six member countries and create an integrated economic entity.

Taxes on the transfer of property fall under two heads: (i) sales and similar taxes, and (ii) registration fees and stamp duties. The rate of sales tax is usually 6 per cent but jewellery, watches, motor vehicles, cutlery, perfume and leather goods are subject to a luxury tax.

To avoid complication arising from the imposition of a sales tax on each transmission of goods for business purposes, a higher tax called 'forfeitry' may, in many cases, be imposed on the occasion of the first delivery or import into Belgium or on ultimate delivery to the customer. In that event intermediate transactions bear an invoice tax, generally at the rate of 0·6 per cent.

Registration fees are payable on transfers and leases of real estate, and the incorporation, amalgamation or reorganization of companies. Stamp duty is payable on bills of exchange, Belgian and foreign securities and certain documents issued by the Courts.

Labour Conditions

The normal working week is forty-five hours, but a movement for the extension of the five-day week is developing and is already in force in a number of industries. Except in special circumstances, work is not allowed on Sundays or legal holidays of which there are ten in a year. Overtime starts from the eighth hour of a working day in the case of a forty-eight hour week, and from the tenth hour in the case of a forty-five hour week. The first two hours are payable at the rate of 125 per cent and subsequent overtime at 150 per cent. The Sunday rate is 200 per cent. Labour costs are relatively stable, and since the end of the last war the trend of real wages has been higher than in other countries because of a smaller increase in the cost of living.

There are statutory provisions corresponding to the Factories Acts in Britain and laws regulating the employment of women and young persons. Relations between employers and workers are governed by statutory regulations which are administered by a number of different bodies, but in the last resort collective disputes are settled by arbitration through the Ministry of Labour.

Workers are entitled to an annual paid holiday which varies, not with length of service, but with the worker's age. The various branches of the comprehensive social security system are managed by the *Office National de Securité Sociale*, which collects contributions from employers and employees and distributes them to the various organizations responsible for unemployment insurance, family allowances, health insurance, pensions and paid holidays. The contributions payable by employers amount to 27·25 per cent of employees' salaries and 32·5 per cent of workers' wages.

The Old and Bold

by **RONALD SHERBROOKE-WALKER, C.B.E., T.D., D.L., F.C.A.**

WHERE is the generation of 'Seniors' who ordered our goings out and comings in half a century ago? Alas, nearly all of them are gone, but here and there in honourable retirement one or two linger on, lamenting, no doubt, that staff pension schemes had not been the rule in their day. They are not forgotten. Let's think back to the times when they were in their hey-day, some of them not as old as they seemed to us when we were very young.

First there comes to mind that doyen of senior audit clerks, Mr Attenborough. It would be unseemly to omit the 'Mr' when we remember that majestic presence, the portly figure and the rolling periods. An expert on the accounts of companies which won materials from the earth, and their complicated taxation, and a master of that old blood-sucker which nearly drove many a lesser man to the grave – excess profits tax, Mr Attenborough stood in a niche by himself. His audit and taxation notes were a masterpiece of lucid thought, engraved on sheet after sheet of heavy foolscap with the look of a medieval missal. You never see such writing today. A tremendous talker, he held you firmly by the buttonhole while he ranged over his favourite subjects; but if you had the patience to listen you learnt a lot from his vast store of knowledge and kindly advice.

Quizzical

By contrast, Bates, quick, dry, quizzical. He too, possessed a wide knowledge and was always anxious to help the young idea, but his was an entirely different style. Like a small bird he always stood at his work, at any rate in the office, at one of the high desks which seem to have disappeared in these days; bowler hat on head, his tool was the stump of a pencil about an inch and a half long. With this he produced quite undecipherable notes and heaven help you when you were launched as his successor on an audit. But he was a good mentor for all that.

Then there was Finucaine who must surely have been a schoolmaster, or a sergeant-major, in his previous incarnation. He conceived it to be his mission in life to bring up the juniors the hard way. With his long thin nose, sleek dark hair parted in the middle and brushed back, he suggested a bird of prey. It was a constant source of wonder to us how he ever got through his own work as he seemed to spend most of his time watching ours. He had sharp eyes and ears and was constantly pulling us up for something. You had to be very careful and alert when you called over postings with him. During the sleepy time after lunch he would deliberately call out a wrong figure to see if you were awake and woe betide you if you fell into the trap. His audit team was not sought after but, looking back, his Guards' standard probably did one a lot of good.

Immaculate

A change to come to Atkinson. Older than most of his contemporaries, he was always immaculately dressed in a rather light grey suit with spats and a white slip to his waistcoat. Very agreeable and a little unctuous, one felt that somehow he had failed for the Diplomatic Service and had taken to accountancy, *faute de mieux.* He was not a keen blade, in fact he was a routine plodder, but he could be all things to all men and he was much esteemed by the clients.

One more old friend must be remembered – old Reynolds. He was not on the audit staff but as cashier he ranked with the Seniors and exercised a great deal more power. He sat in the entrance lobby like a watchdog and it was under his keen eye that every member of the staff signed the attendance book on arrival in the mornings. As the official arrival hour was reached, he slipped down off his high stool and ruled a red line under the signatures in the book so that the late-comers were mercilessly shown up before it was sent up to one of the partners to be examined. But where his supreme power was exercised was over our expenses when out on audit. You never got away with a stoup of ale on your hotel bill and his eagle eye soon spotted when you had dined *à la carte* instead of *table d'hôte.* He carried every railway fare in his head. Perhaps this was to be expected from an old quarter-master sergeant!

They taught us much, this earlier generation. Are their successors in these days of computers and management accounting following in their footsteps?

Schedule E Expenses and Benefits-in-kind – I

by ERIC C. MEADE, F.C.A.

I PROPOSE to divide my paper into two parts, dealing first with the question of benefits-in-kind and then later with the question of expenses.

Directors and employees are taxable in accordance with rules laid down from time to time by Parliament in the Income Tax Acts, and these rules are collectively known as the Schedule E rules. In order to establish, therefore, what type of receipt is taxable, it is necessary to have regard to the exact wording used in the statute. One finds that it is stated in regard to employments that an individual is to be chargeable to tax on all emoluments derived by him from the employment which he holds. Two questions have therefore got to be answered, namely:

(1) Is the receipt an emolument? and

(2) If so, is the emolument derived from the employment?

Definition of Emoluments

If, and only if, both those questions can be answered in the affirmative, the receipt will be taxable. The Income Tax Acts give us some assistance with regard to the first question. The word 'emolument' is defined as including all salaries, fees, wages, perquisites and profits whatsoever. Moreover this definition has been widened in the case of directors and over £2,000-a-year employees so as to include expense allowances and benefits-in-kind within the meaning of the term 'emoluments'. The term is therefore far-embracing, but one of the purposes of this paper is to demonstrate that it is not all-embracing.

In the first place I shall ignore the special position of directors and over £2,000-a-year employees, for by doing so it will be easier to grasp the principles involved. I will, however, return to these gentlemen a little later.

One might well be excused for thinking that if an employer makes a payment to an employee that payment will, of necessity, be taxable in the hands of the employee. This is not necessarily the case, however, because the only payments that are taxable are those that arise *from* the employment. The principle here involved can be illustrated by a case that was decided by the House of Lords in 1960. The case related to I.C.I. The company operated a housing scheme for its employees under which the company undertook to reimburse an employee for any loss he might incur on selling his private dwelling-house, provided that the sale was necessitated by his being required to move, by reason of his employment with the company, from one part of the country to another. One of the company's employees, a Mr Mayes, who had been employed by the company for many years, was required to move from Fleetwood in Lancashire to Wilton in Yorkshire. It thus became necessary for him to sell his Fleetwood house. He had purchased the house nine years previously for £1,850, but he could obtain only £1,500 for it on the sale. Accordingly I.C.I. reimbursed him for the loss by making him a payment of £350. The Inland Revenue sought to levy tax on this receipt, but the taxpayer's contention that the payment did not arise *from* his employment was upheld first by the High Court, then by the Court of Appeal and finally by the House of Lords. In the course of his judgment in the House of Lords, Lord Radcliffe said:

> 'It is not easy, in this type of case, to say precisely why one considers that the money paid in one instance is, and in another instance is not, an emolument derived from the employment. For my part I think that the meaning of those words is adequately conveyed by saying that, while it is not sufficient to render a payment taxable that an employee would not have received it unless he had been an employee, it is assessable if it has been paid to him in return for his acting as or being an employee. It is just because I do not think that the £350 was paid to Mr Mayes for acting as or being an employee that I regard it as not being profit from his employment. The money was not paid to him as wages; it was paid to him in respect of his personal situation as a house-owner who had taken advantage of the housing scheme and had obtained a claim to indemnity accordingly.'

A Rash Test

Lord Denning put it another way, saying:

> 'My Lords, tried by the touchstone of common sense – which is perhaps rather a rash test to take in a Revenue matter – I regard this as a plain case. No one coming fresh to it could regard this £350 as a profit from the employment. Mr Mayes did not make a profit on the sale of his house. He made a loss. And even if he had made a profit, it would not have been taxable. How then can his loss be taxable simply because he has been indemnified against it? Mr Mayes incurred a loss in consequence of his employment and his employers indemnified him against it. I cannot see that he gets any profit therefrom. If Mr Mayes had been injured at work, and received

A paper presented recently at a business tax course for directors and senior executives of Richard Costain Limited.

money compensation for his injuries, no one would suggest that it was a profit from his employment. Not so here, when all he receives is compensation for his loss.'

This principle can be illustrated in another way. Let us suppose that an employee on his way home from work saw a child drowning and immediately jumped into the river and rescued the child. If his employer made a presentation of £100 to the employee as a token of esteem for the act of bravery, that payment would not be taxable as it would not have been paid as consideration for the services the employee renders to the employer. Similarly if an employer, finding that one of his employees was in financial distress, made him a payment to alleviate the distress, that payment would not be taxable for the same reasons.

Tips and Perquisites

It is important to appreciate that a payment can arise from the employment even though it is made to the employee by a person other than the employer. For instance a tip received by a waiter from a customer is no less taxable than the wage he receives from his employer. The nature of the waiter's employment requires that he should give a service to the employer's customers. If, then, the employer's customers tip the waiter, the tip is merely an additional reward paid to him for performing the services of the employment. As such it arises to him from the employment and so is taxable. Other examples of payments received from third parties that are taxable are the tips of taxi-drivers, Christmas and Easter offerings of clergymen, and the ground collections made for professional league cricketers when they perform meritoriously with bat or ball.

It might be thought that the term 'perquisite' would cover both payments in money and payments in kind, but it was as long ago as 1892 that Lord Halsbury, in the case of *Tennant v. Smith*, said:

> 'I come to the conclusion that the Act refers to money payments, though, of course, I do not deny that if substantial things of money value were capable of being turned into money, they might for that purpose represent money's worth and be taxable.'

In the same case Lord Macnaghten went even further and said:

> 'On examining Schedule E it is obvious that it extends only to money payments or payments convertible into money.'

These judicial conclusions have withstood the passage of seventy-two years, and it remains accepted today that if an employee is rewarded for his services by means of a benefit-in-kind that is incapable of being converted into money by the employee, then that reward is not taxable. Clearly this principle opens the door to tax avoidance on a substantial scale, and it was with a view to curtailing such avoidance that, in 1948, legislation was introduced making benefits-in-kind taxable if received by directors or over £2,000-a-year employees. It must therefore be borne in mind that there are two distinct sets of rules relating to benefits-in-kind, the one applicable to employees earning less than £2,000 a year, the other applicable to employees earning more than £2,000 a year, and to all directors. One result of the creeping inflation that has been with us over the last fifteen years has been the tendency each year for more employees to fall within the over £2,000-a-year class, and if inflation continues at the same pace it will not be long before charladies are the only class of employee not affected by the benefit-in-kind legislation. I am, however, confining my present remarks to those remunerated at less than £2,000 a year, and in these cases a benefit-in-kind can be taxed only if it is convertible into money. Thus if the employer provides a staff outing, the value of the outing cannot be taxed on the employee for the reason that the employee cannot convert this type of benefit into money.

The question of convertibility into money must be approached with some care, for it does not mean that tax can be avoided by the employer simply attaching conditions to the gift restricting the right of the employee to sell or dispose of the asset given. So long as the asset, by reason of its nature, can be sold, assigned or pledged for cash, or used to produce a cash income, the asset is convertible into cash for this purpose.

Gift Vouchers

It has been suggested that as a result of these rules, tax can be avoided by giving employees vouchers instead of cash. For instance, many firms give their employees luncheon vouchers; others give their employees gift vouchers at Christmas. Are such vouchers taxable? In my view they are, but I must be a little wary, for a case on this particular matter is at present before the Court of Appeal. It concerns a well-known public company which makes a practice each year of giving its staff members a Christmas bonus in the form of a voucher for £10 spendable at a shop nominated by the employee in question. Mr Laidler, the employee involved in the case, nominated Harrods as the shop of his choice, and accordingly he received a voucher for £10 to be spent there. It was held in the High Court that the £10 was taxable on Mr Laidler as an emolument. As I have said, the case is now before the Court of Appeal, but I hold out little hope for the taxpayer succeeding either there or in the House of Lords. Common sense dictates that a voucher for £10 is in reality nothing more or less than a form of restricted currency. A bank-note may be encashable anywhere, but a postal order is encashable only at a post office. If common sense dictates that a postal order is a payment of money, so must it surely dictate that a voucher is a similar kind of payment. Again, the fact that the payment is made only at Christmas-time is of no consequence if, in fact,

this type of payment is made to all employees every Christmas, for it must then arise *from* the employment. If, on the other hand, an employer gave a cash gift to his employee on the occasion of the employee getting married, such a payment would not, in my view, be taxable because it would have arisen not from the employment but merely from the desire to make a gift appropriate to the very personal occasion in question.

Notwithstanding what I have said, you will of course appreciate that there exists an official concession under which luncheon vouchers to a value not exceeding 3*s* a working day are treated as tax free.

Having decided that a benefit given to an employee is convertible into money and therefore taxable, the question then arises as to the *quantum* of the income that is taxable. In other words, having received a gift in kind, how is it valued for tax purposes? This question was decided by the Court of Appeal in the case of *Wilkins v. Rogerson*, and I would like to consider the facts in this case for a few moments, as they afford a striking illustration of the principle involved. Mr Rogerson was an employee of a company which decided to give certain members of its male staff a Christmas present in the form of a suit, overcoat or raincoat at a price not exceeding £15. The company arranged with a well-known firm of multiple tailors for the employees in question to be fitted out with the necessary clothing, and the clothing firm was instructed to render its account direct to the company. Mr Rogerson had been fitted out with a suit costing £14 15*s*, for which the company had paid. He had thus received a gift in kind convertible into money, but the question at issue was whether tax under Schedule E should be paid on the £14 15*s*, or on the second-hand value of the suit once the employee had received it. The Court of Appeal held that the taxable amount was the amount which Mr Rogerson would have received had he converted the suit into money immediately after it was given to him. It had been agreed between the parties that the second-hand value of the suit was £5 only, and consequently Mr Rogerson's liability under Schedule E was restricted to tax on £5 only.

Share Options

Of recent years the grant of share options to directors and employees of public companies has become a popular means of providing an inducement. For some time there was considerable doubt as to whether the grant of the option itself was an emolument, or whether it was the subsequent exercise of the option that gave rise to the emolument. In 1960, in the case of *Philbin v. Abbott*, the House of Lords emphatically ruled that the grant of the option represented the giving of a right of property that was a perquisite, and that whether the option was subsequently exercised profitably or not was of no relevance from the point of view of Schedule E – I should add that it might well be of relevance from the point of view of the tax on short-term capital gains introduced in 1962, but that is another matter.

But while it is one thing for the House of Lords to rule that the option when given represents an emolument, it is quite another to arrive at the *quantum* of the taxable emolument. If an employee is today granted an option, exercisable over a ten-year period, to take up shares at today's market price, the taxable value of the perquisite will be the amount of the evaluation of the prospect – it can be put no higher than that – that the shares will appreciate in value, thus enabling the employee to make a profitable exercise of the option. There is no market in such options which would provide a guide to the true worth of such an advantage, neither would it be possible to devise a mathematical formula that would give fair weight to the numerous imponderables that can affect share prices over a lengthy period of time, and thus in these cases it is necessary for the taxpayer and the Inland Revenue to do some tough negotiating in order to try and arrive at an acceptable assessment of the true worth of such an option at the moment of time it is conferred.

Employers sometimes reward their employees in another way, namely, by taking over and discharging a personal liability of the employee. Thus an employer might pay the private telephone charges of his employee. This type of emolument was considered by the High Court in 1935 in the case of *Nicholl v. Austin*, in which it was held that where an employer discharges the personal liabilities of an employee, the employee receives what is, in effect, immunity from his own liability and that the measure of the taxable emolument is the money's worth of that immunity, which is of the same value as the liability which has been discharged. In other words, this means that the tax position is the same whether the employer settles the liability, or whether he pays the employee cash remuneration of an amount equal to the liability to enable the employee to settle the liability.

Free Accommodation

Perhaps the most common form of benefit bestowed on employees is that of free accommodation, and in considering this type of emolument a distinction must be made between what is known as *representative* occupation and what is known as *beneficial* occupation. Representative occupation denotes that the employer himself is the legal occupier of the property, and that it is part and parcel of the duties of the employee's employment that he should reside in the property for the purpose of performing those duties. Thus a caretaker is a typical example – gamekeeper would be another, and a bank manager residing on the bank premises would be another. It was in the case of *Tennant v. Smith* that the House of Lords ruled that the value of representative occupation is not an emolument for the purposes of Schedule E tax. This ruling remains operative to this day and applies not only to the value of the accommodation

itself, but also to any services provided by the employer that are connected with the occupation, such as the supply of free heating and lighting. Moreover the special provisions relating to benefits-in-kind provided for directors and employees remunerated at £2,000 per annum or over have no application to the provision of accommodation if the director or employee occupies it merely in a representative capacity.

The alternative type of occupation of the employer's property is known as beneficial occupation and the value of such free occupation has always been taxable. Due to the abolition last year of Schedule A tax, a new provision was introduced into the 1963 Finance Act, the effect of which is to treat as an emolument for tax purposes the gross rateable value of any premises which an employer allows his employee to occupy rent free. If the employee in such circumstances pays the employer a rent which is less than the gross rateable value, the *quantum* of the emolument is the amount by which the gross rateable value exceeds the rent so paid.

(To be concluded.)

Weekly Notes

THE INSTITUTE'S OXFORD COURSE

OVER two hundred and fifty members of The Institute of Chartered Accountants in England and Wales will assemble at Christ Church and Oriel College, Oxford, next Thursday afternoon for this year's Oxford Summer Course, which continues until Tuesday morning, July 14th. Another interesting course seems promised.

Members will be welcomed on Thursday evening by Mr W. Guy Densem, F.C.A., President of the Institute, and following his address there will be a short talk describing Christ Church and Oriel by Dr J. F. A. Mason, M.A., Librarian of Christ Church. The first paper on 'The role of the accountant in management consultancy – today's problems and tomorrow's developments' will be presented by Mr L. W. Shaw, B.SC., F.C.A., on Friday morning; the second paper on 'The changing pattern of auditing with particular reference to private companies' will be given on Saturday morning by Mr G. N. Hunter, J.P., F.C.A., and the third and final paper entitled 'Accounting information – an essential aid to efficiency in the medium-sized business' will be give by Mr R. Edwardes, F.C.A., on Monday morning. On Sunday there will be informal talks by Mr J. Hopkins, of the National Institute of Industrial Psychology, on the subject of 'Personnel selection', and by Sir Robert Shone, C.B.E., Director-General of the National Economic Development Council.

The course will be divided into twelve groups for the periods of discussion after each address and during the general discussion periods arranged throughout the course. Members have been allocated to groups so that, as far as practicable, each group has a similar geographical and occupational representation. Each afternoon is left free for members to use as they wish for private study, mutual discussion and recreation, or to take part in visits to places of interest in the Oxford locality.

SCOTTISH INSTITUTE'S EXAMINATIONS

THERE were 322 candidates for Part V of the examinations of The Institute of Chartered Accountants of Scotland held last May and 129 (40·1 per cent) passed.

The Institute's Gold Medal for the candidate whose performance over Parts IV and V was the most meritorious, was awarded to Mr Thomas Alexander Lee, of Edinburgh. Mr Lee, together with Mr Lawrence Lawson McAllister, of Aberdeen, also achieved Distinction for merit of performance in Parts IV and V. The Institute's Prize for the candidate whose performance in Part V alone was the most meritorious, was won by Mr McAllister.

The John Munn Ross Prize in respect of Paper I of Part V was won jointly by Mr Alexander Reid Hamilton, of Glasgow, and Mr Thomas Craig Morrison, also of Glasgow. The Guthrie Prize for the woman candidate with the most (and sufficiently) meritorious performance in Part V was won by Miss Anne Margaret Strang, of Edinburgh.

The names of the successful candidates in Part V appear elsewhere in this issue.

D. SEBEL & CO LTD

AN hour and a half of singularly abortive discussion hardly impressed the handful of shareholders who took the trouble to attend last week's annual meeting of D. Sebel & Co Ltd, whose accounts were featured in 'Finance and Commerce' in our issue of June 13th. These accounts, put to the meeting, showed a net loss of £112,575 against a profit of £117,521 because of stock losses resulting from an earlier overvaluation of stocks by the company's late managing director.

A resolution by Mr P. J. Kennett, C.A., not to reappoint the retiring auditors, Messrs Franklin, Wild & Co, Chartered Accountants, had been withdrawn the day before the meeting, but Mr Kennett withdrew his withdrawal when the chairman, Mr Leonard Sainer, proposed the adjournment of the meeting until July 21st so that, in the interim, a statement by the auditors could be circulated to all shareholders. Mr Sainer's proposal was defeated but following some discussion the proposal was again put to

the meeting and was carried by one vote – eleven to ten.

Comment on the auditors' position must await the full details of their statement. Meanwhile, the impression is that the method of – and indeed the reason for – the overvaluation of stocks by the late managing director remains something of a mystery. Mr Sainer observed that 'neither the other directors nor the auditors had any reason to question such valuation which appeared to satisfy all tests which could normally be applied to check it'.

One shareholder, an accountant, suggested that the stock loss would seem to be of the order of £200,000, but Mr Sainer maintained that it was 'nothing like that' – although the actual size he declined to state.

CLIENT'S APPEAL FAILS

THE Court of Appeal on Monday dismissed with costs an appeal by Dr Satya R. Ghosh, of Howitt Road, Hampstead, who appeared in person to contest a County Court judgment by which he was ordered to pay £48 6*s* for professional services to a firm of chartered accountants, Harvey, Lemon & Co, of Finchley Lane, Hendon. His appeal was from an order of Judge Sir Alun Pugh at Bloomsbury County Court on February 17th.

Lord Justice Sellers said Dr Ghosh claimed that the plaintiff firm had not dealt with his income tax affairs properly, their services were of no value and he counter-claimed for the costs of consulting another accountant.

At the County Court, Dr Ghosh was represented by counsel and he conceded that the accountants had spent twenty-one and a half hours on Dr Ghosh's work and charged at the rate of £2 per hour. There was no evidence to show this was an unreasonable sum. It was a back-dated tax inquiry and any accountant would be prudent in the way he set about his work.

The appeal had been misconceived. Issues of fact had been carefully tried by the judge who appreciated the points made and rightly thought that the plaintiff firm had fulfilled its duty as accountants.

Lord Justice Pearson agreed and said the figure of twenty-one hours' work seemed entirely reasonable. Lord Justice Diplock also agreed.

SHARE TRANSFER TO PROTECT OPTION IS 'ON SALE'

IN a reserved judgment delivered on June 25th, the Court of Appeal, by a majority of two to one, reversed the decision of Pennycuick, J., on the stamp duty case of *William Cory & Son Ltd v. C.I.R.* which was reported at 42 A.T.C. 475. The company acquired an option to purchase certain shares and it was part of the terms of the option that the shares should be transferred at once to the company to protect the company's option. Subject to the eventual exercise of the option the shares remained the property of the transferor. When the option was exercised, the Stamp Office claimed *ad valorem* stamp duty on the transfers as being transfers on sale. Pennycuick, J., rejected this claim on the ground that the stampability of an instrument is governed by the facts obtaining at the date of its execution. At that date there was no sale agreement and therefore the transfer could not then be on sale. It was immaterial that a sale in fact took place later.

On appeal, the Master of the Rolls said that when the transfers were executed they were intended to effect a sale and were intended to operate on a sale. When the option was exercised the transfers did in fact effect a sale. They were stampable accordingly. Danckwerts, L.J., concurred; Diplock, L.J., dissented. The company obtained leave to appeal to the House of Lords. (*The Times*, June 26th).

T.U.C. ON JOB EVALUATION

A BOOKLET has been issued by the Trades Union Congress (price 1*s* 6*d*) called *Job Evaluation and Merit Rating*. It is an explanatory document for trade unionists, not a policy statement. By the nature of its source, the booklet is concerned more with shop-floor operatives than with clerical workers and in consequence it does not deal with a number of important and perhaps intricate points which arise when job evaluation and merit rating are applied to clerical and executive salaries.

The booklet is, however, a useful and clear account of the two subjects. It breaks no new ground and has drawn, with acknowledgements, on other sources. Its main interest to those outside the trade union movement is the emphasis it lays on certain matters which it considers to be important from the trade union point of view.

An example of this occurs in the remarks on job evaluation. Having described how many companies evaluate jobs on certain headings or factors which are given points (so establishing a weighted series of factors), the booklet draws the attention of trade unionists to watching these factors and weights in the interests of their members. Similarly, the booklet takes care when discussing merit rating to emphasize that wage levels and differentials result from 'the interactions of numerous forces'.

The authors think that trade unions should be on their guard against any attempt to impose rigidity on wage rates or to determine such rates only according to factors confined to the content of a job. They think that job evaluation tends to introduce restrictions of this kind. So far as merit rating is concerned they think that the most objectionable aspects of assessments made by management under merit rating schemes are that personal prejudice and preference creep in. On the whole they think the objections to merit rating are stronger than those to job evaluation because merit rating tends to disturb group loyalties which they consider are strengthened by job evaluation.

LOWER RAILWAY DEFICIT

THE British Railways Board has been able to improve on its forecast made six months ago about the size of its operating deficit for 1963. In the financial accounts and report published for that year the deficit was cut by £22 million compared with 1962, £5 million better than the Board had predicted. The railway working deficit, before charging interest, came to £82 million, while other activities (ships, harbours, hotels and rental properties) produced a surplus of £8 million. The Board's revenue deficit for 1963 still amounts, however, to £134 million.

The better working results were due almost entirely to lower costs. The main reductions were in train working costs due to the replacement of steam by diesel engines, a reduction in expenditure on maintenance and service of vehicles and maintenance of track and signalling. There was also a reduction in the cost of operating terminals. Such reductions came to £34 million, but the savings were reduced by wage increases and minor price advances.

The Board points out that the financial benefits of some of the large changes proposed in the reshaping plan of May 1963 have still to be reaped. Closure of stations, for example, yielded little net benefit in 1963. The main items in the reshaping plan where savings have been made are in the reduction of the wagon fleet and the conversion to diesel traction.

There was a 7·6 per cent reduction in total staff employed, bringing the total staff down to 464,286. The reduction was achieved by natural wastage and control of recruitment. Care has been taken, however, to ensure that a quota of school leavers, apprentices and young trainees was maintained to obtain a proper balance in the age structure of the labour force.

This is My Life . . .

by An Industrious Accountant

CHAPTER 231

THERE was nobody at home for two or three days, my wife having taken the boys away for a holiday, so I stayed late in the office before strolling down to the hotel for dinner. On my way one evening I encountered the office manager and his wife.

They were in wonderful form, arm-in-arm along the main street, and insisted gaily that it only needed my presence at dinner to make the occasion complete. 'It's a special anniversary celebration,' he beamed. 'Nothing but the best tonight,' she enthused. 'That's why it's going to be a real spread with all the trimmings. We might even rise to champagne in the circumstances.'

They settled down happily in the lounge and discussed the menu with the air of people really enjoying a big moment. His usual precise primness was relaxed and comradely; the Hairpin's old-time brash boldness had softened appreciably. Marriage, I reflected, had worked wonders for both of them. 'Down the hatches!' I exhorted them. 'What'll it be? I'll get the drinks.'

The Hairpin selected an exotic cocktail bedecked with ice, fruit segments and mint; her husband, more cautious, accepted my assurance of a Pussyfoot as having everything but alcohol; I went to the bar to give the order. I hoped they'd enjoy their night out. They usually lived a much quieter life than this plushy hotel represented. They were enjoying themselves watching the other visitors . . . the Hairpin was waving to someone. . . .

She was waving to someone who didn't seem to see her. At the far end of the bar our deputy-chairman and his wife were engaged in an acrimonious dispute with another couple who were chaffing them unmercifully. 'You three-putted four times, you son-of-a-gun,' they gibed him. 'You sliced out of bounds twice,' he replied in surly style; his wife snapped venomously.

He'd been playing in the final of the mixed-foursomes that afternoon, his wife being his partner. Clearly they'd been beaten. Equally clearly, they were taking it badly; they were drowning their sorrows deep. I hoped quickly that the Hairpin wouldn't offer condolences too tactlessly when they met. She had served on the Staff Holidays Committee in the old days when the D.C.'s overbearing spouse had been its Lady President, and had been renowned for her knack of treading on the corns of that august patroness. These two deadly females of the species had time and again rent one another metaphorically speaking, tooth and nail, over petty protocol. A meeting seemed imminent. In fact, the D.C. and his party, having collected their glasses, were even then moving to an adjoining table.

With a respectful 'Good evening' the office manager rose to salute his employer's wife, the Hairpin smiling beside him. The lady's hard angry stare ignored them both as she passed. The D.C.'s curt nod was scarcely better. As they sat down one of their party murmured something about 'your staff'. Her answer was cold and clear. 'We don't have to know them socially, do we?' Unluckily a sudden lull in the chatter carried her voice distinctly.

The office manager sat back as if he'd been hit across the face. His wife went white, but she recovered quicker. Let's get out of here,' she said quietly, but in tones audible to the next table. 'This room smells of vermin.'

So we went out and had dinner in another hotel but somehow the atmosphere wasn't the same and the Hairpin started to cry over the coffee. Her husband laughed it off but he looked ten years older.

It's not an accounting problem, I know, but he's one of my staff; I feel I ought to help him if I can. So far, I haven't been able to work out an answer.

MEMBERSHIP OF ACCOUNTANCY BODIES

As at January 1st

	1964			1963			1950			1940	STUDENTS				
	Total membership	In practice	Not in practice[1]	Total membership	In practice	Not in practice[1]	Total membership	In practice	Not in practice[1]	Total membership		Jan. to Dec. 1963	Jan. to Dec. 1962	Jan. to Dec. 1949	Jan. to Dec. 1939
The Institute of Chartered Accountants of Scotland	7,448	1,549	5,899	7,264	1,540	5,724	4,924			4,477	*Indentures Registered*	453	392	335	190
The Institute of Chartered Accountants in England and Wales	37,880	11,020	26,860[4]	36,581	10,821[3]	25,760[5]	14,632	6,183	8,449	13,473	*New Articled Clerks*	3,549	3,293	1,305	663
The Institute of Chartered Accountants in Ireland	1,782	521	1,261	1,770	507	1,263	724	258	466	433	*New Articled Clerks*	213	230	72	41
The former Society of Incorporated Accountants[2]							8,496	3,253	5,243	7,754	*New Articled Clerks and Bye-law Candidates*	—	—	1,363	586
The Association of Certified and Corporate Accountants	11,200			11,143			7,664			6,092	*New Registrations*	2,715	2,524	1,710	1,635
The Institute of Municipal Treasurers and Accountants	3,813			3,638			1,805			1,242	*Admitted after passing or being exempted from the Intermediate Examination*	383	312	285	102
The Institute of Cost and Works Accountants	8,499			7,908			2,710			1,233	*New Registrations*	4,233	4,697	1,793	436

[1] Includes members not in practice who are employed by firms of accountants.

[2] The Society entered into voluntary liquidation under the Schemes of Integration with the Chartered Institutes on November 2nd, 1957. Its total membership at that date was 11,530.

[3] The United Kingdom only.

[4] Includes 4,553 members not in the United Kingdom whether or not in practice.

[5] Includes 4,279 members not in the United Kingdom whether or not in practice.

Finance and Commerce

Assets and Values

THE latest accounts of Reckitt & Colman Holdings Ltd, which form this week's reprint, are drawn up on the same lines as the group's 1962 accounts which this year won *The Accountant* Annual Award for large companies.

They are therefore of interest from that viewpoint and also for the view on asset values expressed by Mr J. B. Upton, the chairman.

Mr Upton points out that the group's programme of capital expenditure in recent years has meant that the figure for depreciation continues to grow. At £2,245,000 for 1963 it was up by £182,000 on the previous year.

'Because of the effects of inflation on the cost of replacing fixed assets in due course', Mr Upton adds, 'it is important to have the best possible information on which to assess a fair annual charge for depreciation.'

For this reason, 'and for this reason only', the directors intend next year to undertake another valuation of fixed assets and 'it may be desirable to do this every five years'.

Mr Upton's emphasis on 'this reason only' is presumably a warning to shareholders not to think in terms of capitalized revaluation surpluses and free share issues.

Reducing Goodwill

Apart from providing a realistic basis for depreciation however, the quinquennial revaluation of assets will also provide a close indication of how sales and profits are moving in terms of the worth of assets employed.

Last year, group profits more than matched the increase in sales as will be seen from the summarized accounts which form part of the reprint. The summary also shows that assets were last revalued in 1960, with the major part of the surplus applied in writing down goodwill.

Since then, the goodwill item has risen by close on £1½ mllion and a similar goodwill reduction exercise would be a reasonable assumption following the next revaluation.

A point on the employees' profit-sharing scheme allocation should be made. A change in the basis of the scheme has been approved under which most of the bonus will be paid in the form of ordinary shares in the company unless the individual employee gives notice in advance that he or she prefers cash. Mr Upton describes the change as 'a proper step in the right direction' which would have been taken earlier but for technical difficulties.

Deferred Tax

Taxation at £5,878,000, after relief of £1,211,000 in respect of overseas tax which itself cost £3,135,000, is heavier than the increase in trading profit would seem to justify. In the 1962 accounts, however, there was a non-recurring South African tax benefit and, because of the high rate of capital spending, the net amount of tax deferred to future years is becoming material.

This item, the directors consider, has in the past been amply covered by the steady building up of general reserves, but they have now decided that tax deferred should be specifically dealt with in the accounts. That decision explains the tax equalization item of £1,100,000.

Of that amount, £300,000 arose in 1963 and has been transferred from this year's profit and loss account. The balance of £800,000 which arose in previous years (£300,000 of it in 1962) has been taken from revenue reserves.

Against this tax background, Mr Upton regrets that the authorities have apparently still found it impossible to simplify the company taxation structure.

Elliott-Automation

THE 1963 accounts of Elliott-Automation Ltd are presented this year in a form which Sir Leon Bagrit, the chairman, describes as being 'in line with modern accounting practice' which, in this instance, means columnar form with 'Assets less Current Liabilities' balanced by 'Funds Employed'. The balance sheet is confined to the main items, with the group and parent balance sheets on two facing quarto pages followed by two pages of notes.

A point in the accounts is the inclusion in current assets of £3,629,876 as 'Amount receivable in respect of rights issue of ordinary shares'. Ordinary shareholders were offered 2,607,807 new 5*s* shares at 35*s* a share in a rights issue last November. Of the total acceptance money of £4,563,662, the amount of £3,629,876 was outstanding at the balance sheet date of December 31st.

The rights issue did not close until January 2nd, 1964, but the balance sheet has been drawn up on the basis that the issue was completed.

Group sales in 1963 were £3 million up at £39 million, with pre-tax profits at £3,238,000 against £2,862,000. Sir Leon explains that in a business where a large and varied number of new activities are entered into every year, controlled losses are budgeted for on some projects for an initial period until they begin to earn profits. It was the coincidence of direction in which some of these moved, rather than the general widening of margins, which led to the profit improvement.

RECKITT & COLMAN HOLDINGS LIMITED AND SUBSIDIARIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT 1963
(From 30th December 1962 to 4th January 1964)

PROFIT AND LOSS ACCOUNT

1962 £	1962 £		1963 £	1963 £
	11,122,000	TRADING PROFIT (*see note* I)	12,002,000	
	560,000	*Less:* Employees' profit sharing	600,000	
10,562,000				11,402,000
128,000		OTHER INCOME (*see note* II)		57,000
10,690,000		PROFIT BEFORE TAX		11,459,000
		Deduct		
5,124,000		TAX (*see note* III)		5,878,000
5,566,000		NET PROFIT AFTER TAX (of which £3,180,000 (*1962—£3,254,000*) has been dealt with in the accounts of the Holding Company)		5,581,000
6,000		PROFITS OF SUBSIDIARIES ATTRIBUTABLE TO OUTSIDE SHAREHOLDERS		2,000
5,560,000				5,579,000
138,000		PREFERENCE DIVIDENDS, *less* tax		138,000
5,422,000				5,441,000
2,306,000		ORDINARY DIVIDENDS (*see note* IV)		2,483,000
£3,116,000		BALANCE OF PROFIT ADDED TO RESERVES, as under		£2,958,000
		IN SUBSIDIARIES		
	52,000	Capital reserves	258,000	
	2,254,000	Revenue reserves	2,141,000	
2,306,000				2,399,000
		IN HOLDING COMPANY		
	750,000	General reserve	500,000	
	60,000	Profit and loss account	59,000	
810,000				559,000
£3,116,000				£2,958,000

NOTES

1962 £		1963 £
	I TRADING PROFIT is stated after charging:—	
£2,063,000	(*a*) Depreciation	£2,245,000
	(*b*) Remuneration of Directors:—	
11,000	Fees	10,000
165,000	Other emoluments	165,000
12,000	Pensions	12,000
£188,000		£187,000
	II OTHER INCOME consists of:—	
56,000	Income from trade investments	46,000
72,000	Interest received, *less* paid	11,000
£128,000		£57,000
	III TAX:—	
	Based on the profits of the year	
1,006,000	U.K. profits tax	1,074,000
2,445,000	U.K. income tax	2,737,000
3,451,000		3,811,000
1,018,000	*Less:* relief for overseas tax	1,211,000
2,433,000		2,600,000
2,851,000	Overseas tax	3,135,000
5,284,000		5,735,000
—	Tax equalisation (see supplementary note 3 (*b*))	300,000
5,284,000		6,035,000
160,000	*Less:* prior year adjustments	157,000
£5,124,000		£5,878,000

The benefit from U.K. investment allowances was £228,000 (*1962—£185,000*)

1962 £			1963 £
	IV ORDINARY DIVIDENDS of Holding Company, *less* tax:—		
887,000 (5%)	Interim paid 28th December 1963	(5%)	887,000
1,419,000 (8%)	Proposed final	(9%)	1,596,000
£2,306,000			£2,483,000

RECKITT & COLMAN HOLDINGS LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET 1963
(as at 4th January 1964)

1962 £	1962 £	ASSETS LESS LIABILITIES	1963 £	1963 £
		CURRENT ASSETS (see note I)		
18,124,000		Stock		19,293,000
11,048,000		Debtors		11,785,000
2,427,000		Short-term loans		3,041,000
2,329,000		Bank balances and cash		2,500,000
33,928,000				36,619,000
		Deduct		
		LIABILITIES AND DIVIDEND		
	6,506,000	Creditors	7,538,000	
	586,000	Bank overdrafts	1,565,000	
	2,539,000	U.K. tax, including income tax 1963/64	2,638,000	
	2,602,000	Overseas tax	2,482,000	
	582,000	Provision for pensions (see *supplementary note* 4)	861,000	
	1,419,000	Proposed final ordinary dividend of Holding Company	1,596,000	
14,234,000				16,680,000
19,694,000				19,939,000
		Deduct		
(Add 29,000)		DIFFERENCES arising on consolidation (see *note* II)		99,000
19,723,000				19,840,000
		FIXED ASSETS (see *note* III)		
	4,848,000	Goodwill	5,353,000	
	33,556,000	Properties, plant, machinery, etc.	35,746,000	
	1,044,000	Trade investments, at cost or lower valuation	1,206,000	
39,448,000				42,305,000
£59,171,000				£62,145,000
		REPRESENTING		
33,457,000		ISSUED SHARE CAPITAL OF HOLDING COMPANY		33,457,000
6,429,000		CAPITAL RESERVES (see *note* IV)		6,866,000
16,963,000		REVENUE RESERVES (see *note* V)		18,319,000
56,849,000				58,642,000
	1,790,000	U.K. INCOME TAX 1964/65	1,869,000	
	—	TAX EQUALISATION (see *supplementary note* 3 (*b*))	1,100,000	
1,790,000				2,969,000
58,639,000				61,611,000
532,000		INTERESTS OF OUTSIDE SHAREHOLDERS IN SUBSIDIARIES		534,000
£59,171,000				£62,145,000

J. B. UPTON
B. N. RECKITT } *Directors.*

NOTES

1962 £ | 1963 £

I CURRENT ASSETS
Stock
At the lower of cost (including appropriate overhead expenses) and realisable value.

II DIFFERENCES arising on consolidation
The accounts of certain subsidiaries have been prepared at dates between 30th June and 28th December 1963. The accounting dates have not been altered because to do so would delay the completion of the consolidated accounts.

III FIXED ASSETS
Goodwill
At cost, including premium on acquisition of shares in subsidiaries, less amounts written off.
Properties, plant, machinery, etc.
As valued by the Directors at the beginning of 1960, with subsequent additions at cost to the Group.

1962 *Amounts on above basis*	1962 *Depreciation*	1962 *Net amounts*		1963 Amounts on above basis	1963 Depreciation	1963 Net amounts
3,184,000	—	3,184,000	Land	3,188,000	—	3,188,000
19,426,000	1,374,000	18,052,000	Buildings	21,347,000	1,901,000	19,446,000
11,903,000	2,397,000	9,506,000	Plant and machinery	13,602,000	3,356,000	10,246,000
2,118,000	748,000	1,370,000	Motor vehicles	2,248,000	863,000	1,385,000
1,921,000	477,000	1,444,000	Furniture, fixtures, loose tools, etc.	2,135,000	654,000	1,481,000
£38,552,000	£4,996,000	£33,556,000		£42,520,000	£6,774,000	£35,746,000

IV CAPITAL RESERVES
The increase represents:—

Transfers from profit and loss account (see page [16])	258,000
Transfers from revenue reserves (see note V)	244,000
Losses, *less* profits, on disposal of fixed assets	65,000
	£437,000

The transfers to capital reserve from profit and loss account and revenue reserves arise from capitalisation of reserves by subsidiaries and transfers by overseas subsidiaries to statutory and other reserves.

V REVENUE RESERVES
The increase represents:—
Retained profits per profit and loss account (see page [16]):—

In subsidiaries		2,141,000
In Holding Company		559,000
		2,700,000
Deduct		
Transfers to capital reserves see note IV	244,000	
Transfers to provision for pensions (see supplementary note 4)	300,000	
Amount set aside for tax equalisation (see supplementary note 3 (*b*))	800,000	
		1,344,000
		£1,356,000

RECKITT & COLMAN HOLDINGS LIMITED AND SUBSIDIARIES
ACCOUNTS FOR 1963

SUPPLEMENTARY NOTES ON ACCOUNTS

1. **Outstanding balance of contracts for capital expenditure—**
approximately £725,000 (*1962—£2,250,000*).

2. **Foreign exchange**
The conversion of currency into sterling has been effected upon the following basis:—
(*a*) Fixed assets and depreciation thereon—at the exchange rates ruling at the dates of valuation or acquisition.
(*b*) Current assets, liabilities and tax on the profit of the year—at the rates current on the various balance sheet dates of the companies concerned or on 4th January 1964, except for Brazil where an appropriate estimated rate has been used.
(*c*) Other profit and loss items—at the average rates ruling during the respective financial years of the companies concerned.

3. **Tax**
(*a*) No provision has been made in these accounts for the additional tax that would arise if the undistributed profits of subsidiaries operating overseas were distributed since the major part of such profits is necessarily retained in the subsidiaries for financing development.
(*b*) £1,100,000 has been set aside in these accounts for tax equalisation. This represents the tax estimated to be payable in the future on the difference between those initial and annual capital allowances for which credit has so far been taken in arriving at the tax debited in the profit and loss account and the depreciation so far charged on the relative fixed assets, but after taking credit for tax estimated to be recoverable in the future on provisions set up without deduction of tax. The corresponding amount at the end of 1962 is estimated to have been £800,000 and the balance of £300,000 has arisen during the year. The amount of £1,100,000 has been dealt with in the accounts as follows:—

	From revenue reserves	*From profit and loss account*	*Total*
	£	£	£
Holding Company	500,000	200,000	700,000
Subsidiaries	300,000	100,000	400,000
	£800,000	£300,000	£1,100,000

For comparative purposes, the amount arising during 1962 is also estimated at £300,000.

4. **Provision for pensions**
As the result of a further review of group pension schemes for employees in the U.K. and overseas, £300,000 has been transferred from the accumulated revenue reserves of the Holding Company to provision for pensions. This brings the Holding Company's own provision up to £812,000 and the Group's provision to £861,000, which is the estimated total liability for back service under the various schemes.

5. **Contingent liabilities**
The Holding Company has given guarantees to bankers in respect of subsidiaries' overdraft which amounted to approximately £765,000 (*1962—£350,000*).

RECKITT & COLMAN HOLDINGS GROUP
SUMMARISED ACCOUNTS 1954 to 1963
(All amounts are stated in thousands of pounds)

	1954 £000's.	1955 £000's.	1956 £000's.	1957 £000's.	1958 £000's.	1959 £000's.	1960 £000's.	1961 £000's.	1962 £000's.	1963 £000's.
SALES to customers	£40,000	43,300	49,500	55,100	58,700	62,200	70,500	78,100	83,100	87,500
CONSOLIDATED PROFIT										
Trading profit	6,507	7,328	7,911	7,977	8,589	9,992	9,921	10,040	11,122	12,002
Less: Employees' profit sharing	**263**	**287**	**304**	**395**	**430**	**500**	**500**	**505**	**560**	**600**
Add: Other items (net)	125	17	225	219	323	338	270	212	128	57
Profit before tax	6,369	7,058	7,832	7,801	8,482	9,830	9,691	9,747	10,690	11,459
Less: Tax	**3,382**	**3,894**	**4,120**	**3,810**	**4,001**	**4,459**	**4,608**	**4,881**	**5,124**	**5,878**
Net profit after tax	£2,987	3,164	3,712	3,991	4,481	5,371	5,083	4,866	5,566	5,581
DISPOSAL OF CONSOLIDATED NET PROFIT										
Profits of subsidiaries attributable to outside shareholders	33	38	39	47	36	77	27	9	6	2
Preference dividends	102	129	129	129	129	138	138	138	138	138
Attributable to ordinary shareholders—dividends	1,099	1,099	1,099	1,198	1,564	2,128	2,128	2,128	2,306	2,483
retained	1,753	1,898	2,445	2,617	2,752	3,028	2,790	2,591	3,116	2,958
	£2,987	3,164	3,712	3,991	4,481	5,371	5,083	4,866	5,566	5,581
ASSETS, *less* LIABILITIES										
Goodwill	9,489	9,032	8,946	8,820	8,968	9,495	*3,837	4,554	4,848	5,353
Properties, plant, machinery, etc.	9,618	10,401	13,087	14,908	16,704	18,801	*29,028	31,059	33,556	35,746
Trade investments	119	109	162	138	161	186	713	661	1,044	1,206
Stock	10,383	11,620	14,406	14,036	13,537	13,885	16,729	17,542	18,124	19,293
Debtors	4,723	4,578	5,661	6,199	6,513	7,742	9,695	10,675	11,048	11,785
Creditors, current tax, dividends and other deductions	**8,153**	**9,212**	**10,072**	**9,735**	**10,613**	**10,282**	**12,431**	**12,910**	**13,619**	**15,214**
Investments and net bank balances	10,891	11,595	9,111	9,630	11,406	10,284	5,170	4,480	4,170	3,976
TOTAL NET ASSETS at book amounts	£37,070	38,723	41,301	43,996	46,676	50,111	52,741	56,061	59,171	62,145
Representing:—										
Interests of outside shareholders in subsidiaries	544	500	560	600	520	598	496	516	532	534
Preference shareholders	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Future income tax	1,624	1,530	1,609	1,620	1,410	1,712	1,974	1,850	1,790	1,869
Tax equalisation	—	—	—	—	—	—	—	—	—	1,100
Equity interest attributable to ordinary shares	30,402	32,193	34,632	37,276	40,246	43,301	45,771	49,195	52,349	54,142
	£37,070	38,723	41,301	43,996	46,676	50,111	52,741	56,061	59,171	62,145

*The 1960 revaluation of fixed assets increased the book value of properties, plant, machinery, etc., by £7,719,(000). The major part, £7,611,(000), of this surplus was applied in reduction of goodwill.

CITY NOTES

THE niceties of the balance of payments and the gold and currency reserve movements have interested the more sophisticated City minds this week. Others have concerned themselves with call options on steel shares.

The idea is that if the Conservatives win the General Election then all is obviously going to be well with the shares. If the Socialists win they will not be able to renationalize the industry before the steel companies have reported for 1963–64.

Results for the year to September 30th – to which date most steel companies make up their accounts – are going to be good and higher dividends have already been forecast. And yet steel shares have, until recently, been standing on a 9 per cent yield basis.

If steel renationalization compensation is to be on the former basis of stock-market values, then compensation could be at a level above present share prices. That is the argument behind the current speculative support both in the option market and in direct share buying.

* * * *

A MODEST increase in shipping freight rates, suggests Sir John Brocklebank, chairman of the Cunard company, 'would not have as much effect on trade and prices as some people seem to think'. Taking, as an example, an assortment of five imported foodstuffs available in the shops here and carried by the Cunard group, Sir John says that a 10 per cent increase in ocean freight would not cause a rise in the shops by as much as a $\frac{1}{2}d$ a pound in prices now averaging between 2*s* 3*d* and 6*s* 4*d* a pound. 'It seems hard to believe', Sir John concludes, 'that increases in retail prices of this nature could have much effect upon anybody except the shipowner who would benefit enormously'.

This view on shipping freight rates is also of concern to British shipbuilders. Lord Aberconway's recent statement that the John Brown company is losing heavily on contracts taken in order to keep yards employed is something much more than an indication of profitless prosperity.

John Brown's experience is not only common to most British yards but also to most European yards which are losing business on a price basis to Japan. Japanese yards are said to benefit from freer and cheaper raw material supplies and better production planning, but undoubtedly the main competition point is that Japanese shipyard workers work longer hours for less money than their European counterparts.

* * * *

THE completion of the union of the Bradford Equitable and the Bingley Building Societies was announced on Wednesday. It is interesting to note that this constitutes the largest merger ever to take place in the history of the building society movement. So is created, from two Societies both established as long ago as 1851, the Bradford & Bingley Building Society – the ninth largest in the country, with assets of £110 million.

RATES AND PRICES

Closing prices, Wednesday, July 1st, 1964

Tax Reserve Certificates: interest rate 28.3.64 $2\frac{3}{4}$%

Bank Rate

July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	$6\frac{1}{2}$%	April 26, 1962	$4\frac{1}{2}$%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	$5\frac{1}{2}$%	Feb. 27, 1964	5%

Money Rates

Day to day	$3\frac{3}{8}$–$4\frac{3}{8}$%	*Bank Bills*	
7 days	$3\frac{1}{4}$–$4\frac{1}{4}$%	2 months	$4\frac{5}{8}$–$4\frac{11}{16}$%
Fine Trade Bills		3 months	$4\frac{5}{8}$–$4\frac{11}{16}$%
3 months	$5\frac{3}{4}$–$6\frac{1}{4}$%	4 months	$4\frac{5}{8}$–$4\frac{11}{16}$%
4 months	$5\frac{3}{4}$–$6\frac{1}{4}$%	6 months	$4\frac{5}{8}$–$4\frac{3}{4}$%
6 months	6–7%		

Treasury Bills

April 24	£4 6*s* 0·47*d*%	May 29	£4 7*s* 6·17*d*%
May 1	£4 5*s* 11·01*d*%	June 5	£4 8*s* 6·92*d*%
May 8	£4 5*s* 11·47*d*%	June 12	£4 8*s* 8·49*d*%
May 15	£4 7*s* 3·60*d*%	June 19	£4 8*s* 9·84*d*%
May 22	£4 7*s* 8·75*d*%	June 26	£4 9*s* 3·39*d*%

Foreign Exchanges

New York	$2{\cdot}79\frac{9}{32}$	Frankfurt	$11{\cdot}10\frac{1}{8}$
Montreal	$3{\cdot}01\frac{7}{8}$	Milan	$1744\frac{7}{8}$
Amsterdam	$10{\cdot}11\frac{7}{8}$	Oslo	$19{\cdot}97\frac{1}{2}$
Brussels	139·28	Paris	$13{\cdot}68\frac{1}{2}$
Copenhagen	19·30	Zürich	$12{\cdot}06\frac{1}{8}$

Gilt-edged

As well as the usual prices quoted at the close of business on press day, we also give below the quarter-end prices.

	June 30th, 1964	July 1st, 1964		June 30th, 1964	July 1st, 1964
Consols 4%	$63\frac{3}{8}$xd	$63\frac{7}{16}$xd	Funding 3% 59–69	$90\frac{3}{16}$	$90\frac{3}{16}$
Consols $2\frac{1}{2}$%	$41\frac{1}{16}$	$41\frac{1}{8}$	Savings 3% 60–70	$87\frac{3}{4}$	$87\frac{13}{16}$
Conversion 6% 1972	$105\frac{5}{16}$	$105\frac{5}{16}$	Savings 3% 65–75	$79\frac{1}{8}$	$79\frac{3}{16}$
Conversion $5\frac{1}{4}$% 1974	$97\frac{7}{8}$	$97\frac{7}{8}$	Savings $2\frac{1}{2}$% 64–67	$92\frac{31}{32}$	$92\frac{15}{16}$
Conversion 5% 1971	97	97	Treasury $5\frac{1}{2}$% 2008–12	$91\frac{1}{8}$	$91\frac{5}{16}$
Conversion $3\frac{1}{2}$% 1969	$91\frac{7}{8}$	$91\frac{15}{16}$	Treasury 5% 86–89	$87\frac{5}{16}$	$87\frac{3}{8}$
Conversion $3\frac{1}{2}$%	$56\frac{15}{16}$	$56\frac{15}{16}$	Treasury $3\frac{1}{2}$% 77–80	$76\frac{1}{4}$	$76\frac{1}{4}$
Funding $5\frac{1}{2}$% 82–84	$94\frac{3}{4}$	$94\frac{13}{16}$	Treasury $3\frac{1}{2}$% 79–81	$76\frac{5}{8}$	$76\frac{5}{8}$
Funding 4% 60–90	$93\frac{1}{2}$	$93\frac{9}{16}$	Treasury $2\frac{1}{2}$%	$41\frac{1}{8}$	$41\frac{1}{8}$
Funding $3\frac{1}{2}$% 99–04	$63\frac{1}{4}$	$63\frac{5}{16}$	Victory 4%	$97\frac{13}{16}$	$97\frac{13}{16}$
Funding 3% 66–68	$91\frac{1}{16}$	$91\frac{1}{16}$	War Loan $3\frac{1}{2}$%	$56\frac{9}{16}$	$56\frac{5}{8}$

Practitioners' Forum

Incomplete Records: A Standard Programme

We have pleasure in introducing in this issue 'Practitioners' Forum', a new feature which it is intended shall appear in alternate issues.

The purpose of this feature is to bring to the attention of practising accountants matters of practical interest and assistance; in this we shall welcome the co-operation of practitioners in contributing topics which they can cite from their own experience and illustrate with examples. Naturally, there may be cases where the contributor would prefer to be anonymous, but in general we shall acknowledge the assistance of those who have some point to put before their fellows, and for this introductory topic we are indebted to Mr John T. Newth, A.C.A., A.T.I.I.

We venture to think that this feature will appeal particularly to readers in the smaller-sized practices and may, we trust, enable those whose problems are often different in degree and nature from those of their colleagues in the larger firms to find a means of airing their special needs and their no less important views on their tasks.

* * *

The accountant has come a long way in the last half century. Income tax, the Companies Act and mechanized accounts have virtually changed his life. And now to this is added the complexities of modern costing, budgetary control and management accounting. Nevertheless, the days are not yet past when the practitioner – particularly in the smaller practices and in provincial parts – is presented with a batch of soiled bank statements and a box of unsorted receipts and invoices, and expected to prepare accounts.

One of the curses of an incomplete record job is that, although the detail work can easily be delegated to junior staff, there is ample room for errors, both of fact and principle; and the inherent incompleteness of the job produces complications and pitfalls of which a junior clerk may not be aware. The work then has to be carefully examined by the senior in charge, and almost inevitably, adjustments made. Hence the need for a set of standing instructions for such jobs, suggestions for which are offered here.

STAGE ONE – Originating work:

(1) Check that the bank statements, cheque stubs, and paying-in book covering the whole accounting period have been supplied by the client.

(2) If no cash-book is kept by the client, write up a cash-book from the cheque-book and paying-in books. The analysis columns for both receipts and payments should be completed as far as possible from the information on these documents. On very small jobs the cash-book can be written up as part of the working papers.

(3) Check each cash-book entry to the bank statement. On some jobs it may even be necessary to write up the cash-book from the bank statements.

(4) Enter into the cash-book amounts included on bank statement but not appearing in the paying-in book or cheque stubs. These are likely to comprise:

Payments: Standing orders, e.g. subscriptions, hire-purchase payments; bank charges and cheque-books; bank advice, payments by trader's credit, etc.

Receipts: Deposit interest; trader's credits; proceeds for foreign remittances.

Details of standing orders and trader's credits should be attached to the bank statement with the returned cheques, where these are available.

(5) Agree bank reconciliation statement in the usual way.

(6) Complete cash-book analysis by reference to invoices and statements, and make a note of any unexplained receipts or payments on the list of notes and queries.

(7) If vouchers for cash and bank payments are not separated, vouch all the bank payments possible, unless a petty cash book is kept, to identify the cash payments by elimination. Where the vouchers are separated exhaustive checking should not be attempted; a quick run through the vouchers for the following purposes being sufficient:

(*a*) To explain payments not detailed on bank statements or cheque stubs.

(*b*) To vouch fully the following types of expense:

(1) *Capital items.* Details of the asset purchased, whether new or second-hand, and date of purchase should be noted on the working papers.

(2) *Electricity, gas, water, telephone, rates and rent.* A note should be made of the period covered by the final payment made in the year. The purpose of this is to assist in the calculation of creditors and payments in advance.

(3) *Insurance.* A note should be made of the risk covered and premium renewal date. Motor insurance should be analysed as motor expenses.

(4) *Repairs and renewals.* The Inspector of Taxes frequently requires an analysis of this item.

(6) *Income tax.* A note is required of the schedule and year concerned. P.A.Y.E. will normally be included with wages or salaries, but may have to be analysed between these two items.

(*c*) To ascertain creditors at the year end, where relevant statements and invoices are available.

(8) The cash account must now be agreed; if no petty cash book is kept by the client, an analysed book can be prepared from the information available. Where the volume of transactions is small the working papers can be used for this purpose.

Once the standard programme has been followed so as to list the originating entries, a detailed analysis must be made if proper accounts are to be produced, the procedure for which may be summarized as follows:

STAGE TWO – Detailed analysis:

(1) *Cash receipts*. These are likely to comprise the following:

(*a*) *Takings* in the case of a shop trader. Many clients use some form of standardized traders' weekly cash-book. It must be confirmed that the gross figure and not the net for each day is that recorded. The weekly total is carried to the cash-book.

(*b*) *Work done* in the case of a jobbing builder, who keeps no ledger or cash-book. Also applicable to a small manufacturer. This can usually be ascertained from copy bills rendered or a 'job book', after taking into account debtors at the beginning and end of the year. These will have to be verified with the client.

(*c*) *Assets sold for cash*, cash introduced into the business, etc. Patient questioning of the client may be necessary, particularly where there is a large cash difference; often this may still remain unresolved in spite of this.

(*d*) *Cash drawn from bank*. This should agree with the 'cash' column in the bank cash-book. In many cases the cash drawn from the bank is solely drawings, but in most incomplete record jobs cash payments are made out of the client's pocket and it is wise to bring the cash drawn to the debit of the petty cash book. In the accounts of a shop this item is not so common as takings are usually banked 'net', after payment of cash expenses.

(2) *Cash payments* will consist of:

(*a*) Items noted by the client in any record he may keep. This may be negligible. Quite often cash and bank payments will be included in one untidy unanalysed book. After bank payments have been transferred to a permanent record, the cash payments can be ascertained by elimination.

(*b*) Payments relating to invoices and receipts remaining unvouched, where it is confirmed that they do not relate to cheque payments.

(*c*) Drawings by the proprietor. If these are not specifically denoted by the client, an estimate will have to be made. Often this item is used to balance the cash account, subject to two important provisions:

(1) The gross profit percentage on sales. The current year's percentage should be compared with those of at least the last three, with any significant variation noted and discussed with the client. If this is not explained in terms of increased or decreased profit margins it may well be that there are unrecorded cash sales or purchases and this will have to be adjusted by an estimated entry in the cash account.

(2) The trader's estimate of his own weekly drawings. Obviously if he says £20 and the balancing figure is equivalent to £10, something is vitally wrong.

(3) A list of major private expenses during the year such as furniture, clothing, food, children's school fees, house repairs and decorations, and investments.

(*d*) Estimated cash payments. These are agreed from year to year with the client and can be followed up from the previous year's working papers. They should, however, be noted and queried again. Typical items are motor expenses and petrol; postage; entertaining.

Ascertain if any cash balance or float was in hand at the year end.

Attempt agreement of the cash account, without taking drawings into account unless fully recorded. If the balance appears to be a reasonable estimate for drawings, insert provisionally subject to investigation when draft accounts have been prepared.

The private ledger or working sheet can now be posted up from the cash-books and/or working papers. In some cases further analysis of bank payments will be necessary before this is completed. The ledger should be posted in ink apart from queried items.

It is also wise to take out a preliminary trial balance at this stage to see that the entries have been made correctly.

Complete a list of creditors and post to the private ledger. Most of the information to do this will already be available from vouching the payments. Some clients supply a list. If not, all doubtful items should be queried, and the possibility of additional creditors explored.

Post debtors and payments in advance to the private ledger. The client may supply you with a list, but they must be confirmed with him if not. In some cases it is necessary to check copy bills to the debit of the bank and petty cash books to ascertain debtors by elimination. Payments in advance should be capable of calculation from previous vouching.

Calculate depreciation and make the necessary private ledger entries.

Obtain stock and/or work-in-progress figure from the client and check the calculations. If gross profit is greatly different from previous years, with no valid explanation, the error could be in the stock.

Make private ledger transfers, based on last year, but adapted to present circumstances. These may include personal consumption of stock, private use proportions and entries relating to a new hire-purchase agreement.

Consult senior or partner on the job regarding the fee, giving him details of time spent.

Complete accounts, leaving this year's figures in pencil, and present to senior or partner after preparing list of queries.

This list of standing instructions is not meant to be an exhaustive résumé of all the work connected with an incomplete record job, but merely a guide.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

ANNUAL SERVICE

The President and members of the Council of The Institute of Chartered Accountants in England and Wales were joined by other members of the Institute at the annual service held in the Church of St Margaret, Lothbury, London EC2, last Wednesday.

The service, conducted by the Rector, the Rev. A. John Drewett, M.A., B.SC., commenced with the hymn 'For the beauty of the earth'. After the singing of Psalm 24, the lesson from Philippians, chapter 4, verses 4–9, was read by the President, Mr W. Guy Densem, F.C.A.

The other hymns were 'O Holy Spirit, Lord of Grace' and 'Praise the Lord! ye heavens adore him'. A collection was taken for The Chartered Accountants' Benevolent Association which amounted to £56 17*s*.

The Rector delivered the following sermon:

The Sermon

Be careful for nothing; but in everything by prayer and supplication with thanksgiving let your requests be known unto God. Philippians 4, verse 6.

As we all know the authorized version of the Bible was published in the reign of James the First and is written in the beautiful English of the Elizabethan period. But language does not remain static and if we do not keep the translation of the Bible up to date, we shall run serious risk of being misled. What, for example, is the modern reader to make of the words 'Be careful for nothing?' Is it an injunction to lead a thriftless and irresponsible life such as is summed up in the 'I couldn't care less' of modern speech?

It is unfortunate that the word 'care' in English has to do the work of two words in most other languages. We say that we care for someone in the sense that we love them and wish them well. We also talk of the cares and worries of life, using the word *care* as the equivalent of *anxiety*. In the revised version of the Bible our text is translated 'In nothing be anxious' and this is repeated in the 'have no anxiety' of the New English Bible.

It is not difficult to see the connection between these two meanings of the verb *to care*. We may consider three familiar examples. Good parents care for their children. They look after them in childhood and do their best to see that in health and education they are equipped to take their place in the adult world. But this very proper concern for them may lead to an attitude of over-protection in which anxiety replaces love and may have the effect of destroying right relationships between parent and child.

Or again, the business man quite rightly cares for his business. He wants it to be a success and consequently puts much time and thought and energy into it. But this quite proper attitude may get out of proportion and develop into a neurosis. If this happens, anxiety replaces care with disastrous results both to the man and to his business.

Or, again, let us try to imagine the position of the world's statesmen in whose hands is placed the destiny of us all. We can assume that they all care for the well-being of their countries; they give their lives to the exacting task of public duty. But if this right and commendable care for their country develops into an anxiety state in which they come to believe that all other countries are against them, they may be led into courses of action which will destroy all that they love.

'Be careful for nothing' means, therefore, in modern English, do not be anxious. But to tell anyone not to be anxious is, as we know to our cost, of little avail unless we can in some way remove the cause which has led to the condition. There are, of course, short cuts. The millions of dozes of tranquillizers, the inordinate consumption of alcohol, the people who risk their lives by the compulsive smoking of cigarettes, are all indications of the anxieties which modern man is trying to keep at bay. But such nostrums do nothing to remove the cause.

The basic cause of anxiety is freedom. As soon as we begin to take responsibility for our own lives and take steps into the unknown we become anxious. But our anxiety is in proportion to our confidence in ourselves. That man is most anxious who is afraid that the situation in which he might find himself will make demands which are beyond his capacity. Anxiety, therefore, is born of the fact that we are free to act, but are aware of our own limitations. The perfect man would have no anxiety because he would be completely confident of his power to meet any conceivable situation.

It is possible to avoid a great deal of the anxiety due to this feeling of inadequacy if we are prepared to accept ourselves and our position in life without complaint. Breakdown comes to the two-talent man who is trying to hold down a five-talent job. It is difficult for some people to accept the fact that the Jones' with whom they are trying to keep up may be worth more in the market than they are. The stress of modern life is in great part attributable to the fact that our scale of values is false. We persist in believing that a man's life consists in the things which he possesses. The teaching of Jesus emphasizes repeatedly that freedom from anxiety is possible if we are prepared to sit loosely to the material things of this world.

But when all this is said, there is always the possibility of that irrational anxiety which seems to be part of our humanity. We are sometimes afraid of life itself. It was this fundamental fear that St Paul was concerned with in this letter to his Philippian friends. He himself was in Rome when this letter was

written, awaiting a trial in which his life was at stake. For years, ever since he had forsaken the security of Judaism to become a Christian, his life had been one of privation and hardship, and now the end was drawing near. But of anxiety there seems no trace. In fact, he is full of joy at the thought that his life's journey is ending, for he has found the remedy to anxiety in faith. He has offered his own inadequacies to God and in return has received strength for the task in hand. 'If I must needs glory I will glory in my weakness, for when I am weak then am I strong'. And so he hands on the same prescription to the Christians at Philippi: 'Be not anxious, but in everything with thanksgiving, let your requests be known unto God'.

The attitude to life engendered by these words is the all-important thing. The first essential is faith or trust in a God who is able to fulfil in us his perfect will. The second is a positive response of thanksgiving to life itself and a determination to make of it a sphere of service to God and neighbour. If we set our hearts and minds in this direction we shall find the divine presence as our constant support. It is when we turn in upon ourselves and put our ultimate faith in our resources that anxiety and despair take possession and hope fades.

To the Apostle and to those to whom he was writing, God was near at hand; an ever-present reality; a part of the atmosphere which they breathed. When God becomes distant and remote there is no one to bear the anxieties of men, but men themselves. We then become like Atlas of Greek legend, who carried upon his back the tall pillars which held heaven and earth asunder. What wonder that we find this a burden too grievous to be borne and break down under the strain! If we abolish God from the world we are left with our inadequacies and find anxiety and not joy at the centre of our lives.

There are those who say that man has now come of age and is no longer in need of God or of religion. No one would deny that we have outgrown some of the images which satisfied men in past ages, but so long as man is aware of his insecurity and isolation, he will know himself to be in need of grace. This is the one thing which he cannot supply out of his own resources but can only receive in humility and faith. But with it will come wholeness and peace. The experience of St Augustine, passed down through the ages in his immortal prayer, is the experience of everyman: 'O Lord, thou hast made us for thyself, and our hearts shall find no rest, until they find their rest in thee'.

FOR STUDENTS

CHANGE OF ACCOUNTING DATE

Basis of Income Tax Assessments

IN the normal case of a trade or profession where there is only one account ending within the year preceding the year of assessment, and that account is for a period of twelve months, the Schedule D, Case I or II assessment is to be based on the profit of that account.

In other cases, the Income Tax Act, 1952, states, the decision as to what period of twelve months ending in the preceding year is to be the basis period rests with the Board of Inland Revenue; furthermore, having chosen the basis year for a year of assessment in such cases, the Inland Revenue may direct that the assessment for the preceding tax year is to be adjusted to the profits of the 'corresponding period', i.e., the year ending on the same date in the previous year.

Thus if a trader who normally makes up his accounts annually to June 30th decides to alter his accounting date, and makes up a nine months' account to March 31st, 1963, the Revenue will determine the basis period for the 1963–64 assessment. If they choose the year ended March 31st, 1963 as the basis period for 1963–64 (as they normally would) they will also be entitled to alter the basis period for 1962–63 (from the year ended June 30th, 1961) to the year ended March 31st, 1962, i.e. the 'corresponding period'.

It will be seen that where the new accounting date is later in the fiscal year than formerly – March is later in the income tax year than June – some period will not come into assessment at all (in the above example the period July 1st, 1960, to March 31st, 1961, is missed out), and where the new accounting date is earlier in the fiscal year than formerly, some period will come into assessment twice.

To meet this position the Inland Revenue have adopted a practice whereby they attempt to secure that the profits to be assessed twice, or to be omitted from assessment, are 'average' profits. Usually this cannot be achieved either by using the 'corresponding period' as the basis of a revised assessment, or by leaving the original assessment unrevised, but only by taking some figure intermediate between the revised and unrevised figures.

To compute this intermediate figure the Inland Revenue must ascertain:

(1) the total amount of profits of all accounting periods that are 'bitten into' by either the year running to the new accounting date or the 'corresponding period'; and
(2) the number of years of assessment that are based (in whole or in part) on any of such accounting periods.

That may sound complicated but basically it is quite simple, as readers – it is hoped – may agree after considering the following example.

Illustration

Let us take for illustration, as before, a permanent change of accounting date from June 30th to March 31st, and let us suppose that the adjusted profits are as follows:

		£
12 months to June 30th, 1961	.. ..	16,000
12 " " " " 1962	.. ..	12,000
9 " " March 31st, 1963	.. ..	8,000
33		£36,000

As March 31st is to be the future accounting date the Inland Revenue would decide that the 1963–64 assessment should be based on the profit of the year ended March 31st, 1963, i.e., £8,000+three-twelfths of £12,000=£11,000.

Attention is turned next to the assessment of the preceding year, i.e., that of 1962–63. This assessment will have been based originally on the profits of the year ended June 30th, 1961 (£16,000), but the profits of the 'corresponding period', i.e., the year to March 31st 1962, amount to only £13,000 (three-twelfths of £16,000+nine-twelfths of £12,000). It would be harsh to leave the 1962–63 assessment at £16,000, an exceptionally high profit, but lenient to reduce it to £13,000.

A fairer way would be to adopt the average method and the first question to answer is, how many accounting periods have we dipped into in calculating the 1963–64 assessment and the 1962–63 assessment on the corresponding period? We have made use of part, at least, of all three accounting periods listed above but no more. We have dipped into thirty-three months' accounts, the profits of which total £36,000.

The next question is, how many years of assessment are to any extent based on these three accounting periods? The earliest accounting period listed is the basis of the 1962–63 assessment and, as we have seen, the 1963–64 assessment is the latest assessment concerned – neither the 1961–62 nor the 1964–65 assessments have come into the picture. It can be said, therefore, that two years' assessments (twenty-four months) are based in whole or in part on the profits of the thirty-three months' accounting periods.

The next step is to reduce the profits of thirty-three months so as to give a proportionate figure for twenty-four months of assessment thus:

$$\frac{24}{33} \times £36{,}000 = £26{,}182$$

If £26,182 is the average profit for the two years of assessment 1962–63 and 1963–64, and it has been decided that the 1963–64 assessment is £11,000 (year to March 31st, 1963), it follows that the 1962–63 revised assessment, on the average basis, is £15,182 (£26,182−£11,000). It will be seen that this average figure of £15,182 for 1962–63 falls between the original assessment of £16,000 and the figure of profits for the corresponding period, £13,000. The Inland Revenue would therefore reduce the existing assessment of £16,000 to £15,182.

Let us consider next a case where the new accounting date falls earlier rather than later in the fiscal year and suppose that the profits were:

		£
12 months to September 30th, 1961	..	30,000
12 " " " " 1962	..	18,000
8 " " May 31st, 1963	.. ..	16,000
32		£64,000

From what has been explained above it will be seen that the 1964–65 assessment would be on £16,000+one-third of £18,000=£22,000. The 1963–64 assessment would originally be on £18,000, and if revised on the 'corresponding period' basis would be on £22,000 (one-third of £30,000+two-thirds of £18,000).

The accounting periods we have concerned ourselves with so far total thirty-two months. (Try deleting the twelve months to September 30th, 1961, and you will find that you could not calculate the profit of the 'corresponding period': try adding to the list a note of the profits of the twelve months to September 30th, 1960, and you will find that you have not used this information.)

This time we find that it is three, not two, years of assessment that are based, at least to some extent, on the accounting periods listed. The assessments for 1962–63, 1963–64 and 1964–65 are concerned with these accounts – 1961–62 is not. Therefore, instead of reducing the profits of the accounting periods to give a proportionate figure for the years of assessment, we must expand the thirty-two months' profits to give a proportionate figure for thirty-six months of assessment:

$$\frac{36}{32} \times £64{,}000 = £72{,}000$$

If £72,000 represents the average profit for the three years of assessment 1962–63 to 1964–65 inclusive, and the amounts of the assessments for 1962–63 and 1964–65 are undisputed, the amount left for assessment for 1963–64 is calculated, simply, as follows:

	£	£
Average profits assessable for three years		72,000
Less: Assessable 1962–63 (year to September 30th, 1961) ..	30,000	
Assessable 1964–65 (year to May 31st, 1963)	22,000	
		52,000
Balance assessable 1963–64		£20,000

Again, £20,000 falls between the original assessment for 1963–64 of £18,000 and the profits of the 'corresponding period' of £22,000, so that the original assessment would be increased by £2,000.

The practice described is suitable for the majority of cases but is not adopted where, for example:

(1) the 'average' computation does not bring out an intermediate figure;

(2) losses are incurred;

(3) there are marked seasonal fluctuations in the rate of profit; or

(4) any of the years concerned are affected by the commencement or cessation provisions.

Furthermore the Inland Revenue will not disturb the existing assessment if the 'average' calculation brings out a figure that varies by only a relatively small amount from the existing assessment. For this purpose the Inland Revenue would normally regard as relatively small a difference that did not exceed 10 per cent of the average of the current and preceding years' assessments *and* was less than £1,000. In the last example above, the difference (£2,000) is not less than both 10 per cent of $\frac{£18{,}000+£22{,}000}{2}$ and £1,000; therefore the 1963–64 assessment would be revised to £20,000.

Notes and Notices

THE ACCOUNTANT
Index to Vol. CL: January –June 1964

The general index to Vol. CL – January to June 1964 – is published with the present issue. The parts of this volume, with the index, can now be sent for binding.

PROFESSIONAL NOTICES

MESSRS BAKER SUTTON & Co, Chartered Accountants, announce that they have admitted into partnership as from July 1st, 1964, Mr M. A. BRECKNELL, B.SC.(ECON.), A.C.A.

MESSRS F. W. and J. F. BERRINGER, the partners of F. W. BERRINGER & Co, of 8 Widmore Road, Bromley, Kent, and branches, announce that Mr DENIS HINGSTON JOYCE, A.C.A., who has been associated with the practice for a number of years, has been admitted into partnership with effect from April 1st, 1964.

MESSRS BURKE, COVINGTON & NASH, Chartered Accountants, of London WC1, announce that Mr G. H. DUDLEY, A.C.A., and Mr G. H. R. WARD, A.C.A., who have previously been members of the staff, have been admitted into partnership. The style of the firm remains unchanged.

MESSRS COOPERS & LYBRAND announce the extension of their practice to Freeport, Grand Bahama, the postal address being P.O. Box 210, Mercantile Bank Building, Freeport, Grand Bahama.

MESSRS HARMOOD-BANNER, CASH, STONE & MOUNSEY, Chartered Accountants, announce that Mr M. C. ROBERTS, A.C.A., who served his articles with the firm, has been admitted a partner as from July 1st, 1964.

MESSRS NEWTON, ARMSTRONG & Co, Chartered Accountants, announce that Mr P. L. ARMSTRONG, F.C.A., retired from the partnership on June 30th, 1964, but will be available for consultation.

MESSRS THORNTON BAKER & Co, Chartered Accountants, announce that the following partners retired from active practice on June 30th, 1964 – Mr DOUGLAS J. HADLEY, F.C.A. (Birmingham), Mr OWEN W. HORNE, M.C., F.C.A. (Portsmouth), Mr LEONARD W. H. EVANS, F.C.A. (Sheffield), and Mr C. KENNETH FROST, F.C.A. (Leeds). On July 1st, 1964, Mr A. D. J. CARRATU, A.C.A. (London West End) and Mr J. A. SMITH, A.C.A., (High Wycombe) were admitted as partners.

Appointments

Mr A. B. Brooker, A.C.A., personal assistant to the managing director of The Exchange Telegraph Co Ltd, has been appointed assistant managing director and has joined the board of that company.

Col D. H. Cameron of Lochiel, T.D., B.A., F.C.A., has been appointed a director of London and Holyrood Trust Ltd.

Mr John Cole-Hamilton, C.B.E., D.L., J.P., C.A., has been appointed a director of a new property company, Craibstone Property Investments Ltd.

Mr L. G. T. Farmer, F.C.A., has been elected a vice-president of the Association of British Chambers of Commerce.

Mr John Alan Ladds, F.C.A., finance controller of The Wall Paper Manufacturers Ltd, has been appointed to the board of the company.

Mr S. M. Munro, C.A., has been appointed chief accountant to the South Wales Electricity Board.

Mr R. H. Sawyer, F.C.A., formerly chief accountant of the British Aircraft Corporation, has been appointed financial director of the Preston division.

Mr Joseph Duncan Shillito, F.C.A., F.C.I.S., has been appointed finance and administration director and secretary of Chemstrand Ltd.

Mr A. A. Spivey, F.C.A., has been appointed a director of Sharp, Perrin & Co, while continuing as the company secretary.

Sir Richard Yeabsley, C.B.E., F.C.A., has been appointed to the board of A. W. Gamage Ltd.

DOUBLE TAXATION RELIEF
United Kingdom and Canada

As a result of the notice of termination given by the Government of Canada, the Agreement for the Avoidance of Double Taxation with respect to taxes on income between Canada and the United Kingdom will cease to have effect as regards Canadian tax for any taxation year ending in or after 1965. As regards United Kingdom tax it will cease to have effect in the case of income tax for 1965–66 and subsequent years of assessment; in the case of surtax for 1964–65 and subsequent years of assessment, and in the case of profits tax from January 1st, 1965.

The Government of Canada have indicated their willingness to negotiate a fresh agreement.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON
Introductory Courses for Newly-articled Clerks

The London Chartered Accountant Students' Society completed last week their second Intensive Introductory Course for Newly-articled Clerks. The course consisted of a fortnight's full-time programme of lectures, tutorials and homework.

Forty-three articled clerks were enrolled for the course. The time of year reduced the number but there were sufficient to provide an opportunity to test some of the constructive suggestions received from principals and others after the first course in February. One encouraging factor was the much higher proportion of students who were not yet articled or were in the first few weeks of service. The courses are obviously of much greater benefit at this very early stage of training than to students who delay even for a few weeks.

The aim of the course is to give the articled clerk the knowledge necessary so that he can begin to recognize as soon as possible the context of the work he is doing, and so prepare him to make the most of his early practical training. This in turn should enable him more quickly to make an effective and responsible contribution to the work in his office.

The courses are being run by the London Students' Society in accordance with the recommendation of the

Parker Report that 'it should be an essential condition . . . that the courses . . . should be identified as part of the activities of the relevant Students' Societies'. They are under the auspices of a special Joint Committee of the District Society and the Students' Society, sponsored by the Education Committee of the Council of the Institute.

It is hoped that at least two courses will be available in the autumn to meet the demand that has already shown itself through the much larger number of students who will be starting their articles at that time.

RETURN OF RATES

The average rate poundage for 1964–65 as compared to 1963–64 rose by 3·2 per cent in metropolitan boroughs and 6·1 per cent in urban districts, according to the *Return of Rates 1964–65*[1] issued by The Institute of Municipal Treasurers and Accountants. The highest rate poundage in any authority included in the survey was 14*s* 6*d* (Caerphilly, Glamorgan, and the lowest 6*s* 8*d* (Yiewsley and West Drayton, Middlesex).

The *Return* gives details of rates for all county and metropolitan boroughs and a wide selection of district councils. It shows not only the rate poundage for each authority, but also a breakdown of the rate between the various services administered by local authorities. An analysis of the average rate for county boroughs shows that 11*s* 7·1*d* is spent on education, 1*s* 9·6*d* goes to police, 1*s* 3·9*d* for highways, 1s 3·7*d* for housing, 1*s* 1·4*d* for local health, and 5*s* 4·6d for other services.

A new feature this year is the inclusion of a section showing the average rates paid on domestic properties. These show a wide variation between authorities. In the case of county boroughs, for example, they range from £18 9*s* per annum to £49 4*s* 10*d* and in metropolitan boroughs from £25 17*s* to £107 9*s* 2*d*. Nineteen authorities have an average rate on domestic properties of over £60, all, with the exception of two seaside resorts, being within the environs of London. These are exceptional, however, and in the case of more than 75 per cent of the authorities included in the survey, the average rates per domestic property are less than £40 per annum.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 1 p.m. on Monday, July 6th, in the vestry at St Mary Woolnoth Church, King William Street, London, EC3. The scripture for reading and thought will be Ephesians, Chapter 6, verses 11 and 12.

[1] *Return of Rates 1964–65*. The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, Westminster, London SW1. Price 15*s* post free.

CHARTERED ACCOUNTANTS' GOLFING SOCIETY

The summer meeting of the Chartered Accountants' Golfing Society was held at St George's Hill Golf Club, Weybridge, Surrey, on June 24th. The leading scores were as follows:

STABLEFORD MEDAL

	Points
D. M. NUNN (14) wins First Prize and Lord Mayors Cup	39
J. H. FRANKLIN (18) wins Second Prize	36
R. B. DRUMMOND (4) wins Third Prize	36
H. C. STAINES (5)	35
A. M. MILLING (15)	35
A. LOTERY (13)	35
G. H. DUDLEY (1) wins Scratch Prize	34
J. F. SLOAN (12)	34
J. B. CHARLES (8)	33
N. GRENFELL (16)	33
A. W. COLEMAN (11)	33
R. A. DANIEL (14)	33

(37 Played)

FOURSOMES

	Points
H. C. STAINES (5) and R. B. DRUMMOND (4) win First Prize.	35
G. H. DUDLEY (1) and A. B. GREEN (6) win Second Prize	33
S. J. CHUBB (20) and R. F. DALY (21)	32
D. M. NUNN (14) and J. H. BRADFIELD (10)	32
A. W. COLEMAN (11) and J. F. SLOAN (12)	32

(36 Played)

IRISH CHARTERED ACCOUNTANTS' GOLFING SOCIETY

The annual meeting of The Institute of Chartered Accountants in Ireland Golfing Society was held at the County Sligo Golf Club, Rosses Point, during the week-end May 23rd–25th. The results were as follows:

SMYLIE CUP (BOGEY)

Winner: J. P. B. Roughan (6), 2 up.
Runner-up: R. E. McClure (14), 1 up.
J. B. Lyons (16), all square.
J. Bacon (13), 1 down.

QUIN CUP (STABLEFORD)

Winner:	R. G. Crawford (18) (won on last three holes)	38 points
Runner-up:	J. P. B. Roughan (6)	38 „
	J. O'Shaughnessy (5)	37 „
	S. H. Polden (14)	33 „

VETERAN'S PRIZE

Winner: N. V. Hogan (10) .. .. 29 points

The trophy for the best aggregate was won by J. G. Lyons (16), the Bell Putting Competition by H. F. Bell with E. Jennings, runner-up, while the North *v.* South Cup was won by South.

Mr R. E. McClure, M.B.E., F.C.A., was elected

Captain for the ensuing year and members present expressed their gratitude to Mr H. F. Bell, F.C.A., for having presented a Perpetual Challenge Cup for the Putting competition. It was arranged that the 1965 competitions would take place during the week-end, May 21st–22nd.

New Legislation

The date indicates when an Act received the Royal Assent

STATUTES

Chapter 27: Salmon and Freshwater Fisheries Act, 1923 (Amendment) Act, 1964

An Act to amend section 6 of the Salmon and Freshwater Fisheries Act, 1923, with respect to the mode of working nets.

Price 3d net. *March 25th, 1964.*

Chapter 28: Agriculture and Horticulture Act, 1964

An Act to make provision for and in connection with the maintenance of minimum price levels for imports affecting the market for agricultural or horticultural produce of descriptions produced in the United Kingdom; to make further provision for assisting by the payment of grants the production and marketing of horticultural produce; to impose requirements as to the grading of horticultural produce when dealt in in bulk and as to the mode of packing and transporting such produce; and for purposes connected with the matters aforesaid.

Price 1s 6d net. *April 15th, 1964.*

Chapter 29: Continental Shelf Act, 1964

An Act to make provision as to the exploration and exploitation of the continental shelf; to enable effect to be given to certain provisions of the Convention on the High Seas done in Geneva on April 29th, 1958; and for matters connected with those purposes.

Price 1s net. *April 15th, 1964.*

Chapter 30: Legal Aid Act, 1964

An Act to provide for the payment out of the legal aid funds of costs incurred by successful opponents of legally aided litigants.

Price 5d net. *April 15th, 1964.*

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

Spring Diet of Examination, May 1964

PART V

Of the 322 candidates who sat Part V of the Institute's examination on May 12th, 13th, 14th and 15th, 1964, the undernoted 129 candidates (40.1 per cent) passed. Their names appear in alphabetical order and are followed by the names of the firms of the masters to whom they were indentured or assigned.

The Institute's Gold Medal (for the candidate whose performance over Parts IV and V is the most meritorious)
Lee, T. A. (J. Douglas Henderson & Co, Edinburgh)

Distinction (for each candidate whose performance over Parts IV and V is sufficiently meritorious)
Lee, T. A. (J. Douglas Henderson & Co, Edinburgh)
McAllister, L. L. (Mitchell, Kennaway & Co, Aberdeen)

The Institute's Prize (for the candidate whose performance in Part V is the most meritorious)
McAllister, L. L. (Mitchell, Kennaway & Co, Aberdeen)

The John Munn Ross Prize (for the candidate whose performance in Paper 1 of Part V is the most meritorious)
Hamilton, A. R. (Wilson, Stirling & Co, Glasgow)
Morrisson, T. C. (Chrystal, McIntyre & Co, Glasgow)

The Guthrie Prize (for the successful woman candidate whose performance in Part V is the most (and sufficiently) meritorious)
Strang, (Miss) A. M. (Charles Burrows & Co, Edinburgh)

Adie, D. J. (Graham, Smart & Annan, Edinburgh)
Aitken, R. A. (Mann Judd Gordon & Co, Glasgow)
Al-Chorbachi, W. K. (Brown, Fleming & Murray, London)
Allan, A. (Scott & Paterson, Edinburgh)
Asbury, R. C. (McKerrell Brown & Gray, Edinburgh)
Baird, R. S. (Wylie & Bisset, Glasgow)
Barclay-Watt, A. P. (G. & J. McBain, Aberdeen)
Berry, N. (J. Harley Hepburn & Co, Kirkcaldy)
Birkett, J. H. (Graham, Smart & Annan, Edinburgh)
Bishop, D. S. (Boyack, Whitelaw & Aitchison, Edinburgh)

Bisset, F. S. (Mackay, Irons & Co, Dundee)
Bonnyman, B. W. (Miller, McIntyre & Gellatly, Dundee)
Braithwaite, D. (Stevenson & Kyles, Glasgow)
Brown, I. F. (W. A. Finlayson & Co, Perth)
Bruce, I. F. (Miller, McIntyre & Gellatly, Dundee)
Bullick, M. J. (Wm Home Cook & Coy, Edinburgh)
Burden, W. G. (J. W. & R. N. Oswald, Edinburgh)

Campbell, D. (Mann Judd Gordon & Co, Glasgow)
Campbell, W. C. (MacLean Brodie & Forgie, Glasgow)
Cartwright, W. R. (John M. Geoghegan & Co, Edinburgh)
Chalmers, I. D. M. (Robertson & Maxtone Graham, Edinburgh)
Chapman, G. I. M. (Macharg & Son, Glasgow)
Clapperton, A. C. (Brown, Fleming & Murray, Glasgow)
Clark, R. (W. A. Findlay & Co, Dundee)
Currie, I. (J. &. R. Morison & Co, Perth)
Currie, J. M. (Brechin, Cole-Hamilton & Co, Glasgow)

Dalling, I. N. (Alexander Sloan & Co, Glasgow)
Dempster, T. F. (James Garden, Aberdeen)
Dick, J. B. (Kerr, MacLeod & Macfarlan, Glasgow)
Dobson, A. B. (Wallace & Somerville, Edinburgh)
Dunbar, D. A. M. (Moody Stuart & Robertson, Dundee)
Duncan, S. P. (Flockhart & Grant, Aberdeen)
Duncanson, D. M. (William Duncan & Co, Ayr)

Falconer, I. G. (Williamson & Dunn, Aberdeen)
Foden, P. S. (R. Stephen Milne & Co, Paisley)
Forbes, A. S. (Grahams, Rintoul & Co, Glasgow)
Gaul, H. C. C. (Mann Judd Gordon & Co, Glasgow)
Gaya, M. (Stevenson & Kyles, Glasgow)
Gemmell, G. J. N. (John M. Geoghegan & Co, Edinburgh)
Giffen, Miss G. F. L. (Henderson & Loggie, Dundee)
Gilbert, H. (Stewart Harcus, Edinburgh)
Gillan, D. B. (Graham, Smart & Annan, Edinburgh)
Goldie, L. E. (Boyack, Whitelaw & Aitchison, Edinburgh)
Graham, H. R. (Thomson, Jackson, Gourlay & Taylor, Glasgow)
Grant, D. M. (Flockhart & Grant, Aberdeen)
Guthrie, I. W. (Peat, Marwick, Mitchell & Co, Glasgow)

Hamilton. A. R. (Wilson, Stirling & Co, Glasgow)
Hamilton, N. F. (Thomson McLintock & Co, Glasgow)
Hamilton-Meikle, G. T. (Chiene & Tait, Edinburgh)
Hassall, W. M. (Kerr, MacLeod & Macfarlan, Glasgow)
Haughie, T. M. (Watson McCarroll & Co, Glasgow)
Henderson, D. M. (Chiene & Tait, Edinburgh)
Hogg, A. M. (Wm Home Cook & Coy, Edinburgh)

Innes, J. A. (Don & Stewart, Dundee)
Irvine, R. (David Strathie & Co, Glasgow)

Jackson, H. M. (Thomson McLintock & Co, Glasgow)
Johnson, M. C. (Farries, Kirk & Johnston, Dumfries)

Keane, S. M. (Ferguson & Vost, Glasgow)
Kelty, J. M. (T. S. Aikman & Paterson, Aberdeen)
Kennan, P. I. (Thomson McLintock & Co, Manchester)
Kennedy, N. J. (Russ, Ferguson & MacLennan, Glasgow)
Kerr, A. (F. A. Ritson & Co, Aberdeen)
King, G. D. (Robertson & Maxtone Graham, Edinburgh)

Lang, P. D. (Weir, Buchanan & Co, Edinburgh)
Langlands, E. M. (Mackay, Irons & Co, Dundee)
Lee, T. A. (J. Douglas Henderson & Co, Edinburgh)
Leighton, R. S. (McClelland, Moores & Co, Glasgow)
Leslie, J. S. (Peat, Marwick, Mitchell & Co, Glasgow)
Lockhart, A. S. (Jardine, Dunlop & Anderson, Coatbridge)

McAllister, L. L. (Mitchell, Kennaway & Co, Aberdeen)
McAlpine, J. R. (McClelland, Moores & Co, Glasgow)
McAra, J. A. S. (McClelland, Moores & Co, London)
McCabe, R. A. (Grahams, Rintoul & Co, Glasgow)
McCartney, J. (McMurdo, Sinclair & Co, Hamilton)
McIver, I. B. (Davidson, Downie & McGown, Glasgow)
McLean, I. W. (William J. Young & Brown, Glasgow)
MacLennan, G. A. Y. (French & Cowan, Glasgow)
McNaughton, D. J. H. (Reid & Mair, Glasgow)
Macpherson, D. H. (Thomson McLintock & Co, Glasgow)
Martin, R. (John M. Geoghegan & Co, Edinburgh)
Miller, A. J. M. (James Meston & Co, Aberdeen)
Miller, J. R. C. (Grahams, Rintoul & Co, Glasgow)
Milton, A. G. M. (Chrystal, McIntyre & Co, Glasgow)
Minto, B. J. L. (Johnstone, Logie & Millar, Dundee)
Moir, D. M. (Paterson & Benzie, Glasgow)
Morris, Miss M. J. (McIntyre & Rae, Dundee)
Morrisson, T. C. (Chrystal, McIntyre & Co, Glasgow)
Muir, J. I. (John E. Watson & Co, Glasgow)
Murray, T. (Robertson, Davies & Co, Glasgow)

Nicoll, W. M. (Alexander Tosh & Son, Dundee)
Nicolson, D. M. (Robertson & Maxtone Graham, Edinburgh)

Oliver, R. F. S. (James Milne & Co, Aberdeen)
Oppenheim, P. A. (Thomson McLintock & Co, London)

Paterson, D. (Wylie & Bisset, Glasgow)
Paterson, D. (Davidson, Downie & McGown, Glasgow)

Quayle, R. G. B. (Kidston, Goff & Harvey, Glasgow)

Rainsford, A. J. (W. P. & J. A. Scott, Edinburgh)
Riddell-Carre, R. J. (Lindsay, Jamieson & Haldane, Edinburgh)
Roberts, C. S. (Scott-Moncrieff, Thomson & Shiells, Edinburgh)
Roger, P. C. M. (Alexander Sloan & Co, Glasgow)
Ross, K. A. (J. Wyllie Guild & Ballantine, Glasgow)
Roy, A. T. (Dickson, Middleton & Co, Stirling)
Rutherford, D. M. C. (Thomson McLintock & Co, London)
Say, D. G. A. (W. A. Wighton & Crawford, Edinburgh)
Scott, R. E. (Hourston, Macfarlane & Co, Glasgow)
Scullion, R. (Cooper Brothers & Co, Glasgow)
Shiell, G. D. (Robertson & Maxtone Graham, Edinburgh)
Sinclair, R. M. (Chiene & Tait, Edinburgh)
Sladen, A. B. (Peat, Marwick, Mitchell & Co, Glasgow)
Smith, G. P. (Russ, Ferguson & MacLennan, Glasgow)
Smith, I. M. (Scott & Paterson, Edinburgh)
Smith, W. J. A. (Henderson & Loggie, St Andrews)
Soo, H. S. (Walker & Walker, Edinburgh)
Stevenson, I. D. (Scott-Moncrieff, Thomson & Shiells, Edinburgh)
Strachan, J. S. (Mann, Judd Gordon & Co, Glasgow)
Strang, Miss A. M. (Charles Burrows & Co, Edinburgh)

Thomson, R. M. (Robertson, Davies & Co, Glasgow)
Toal, J. P. (Robertson, Davies & Co, Glasgow)

Urquhart, M. S. (Thomson McLintock & Co, Glasgow)

Ventisei, G. (J. Wright Robb & Scobie, Glasgow)

Walker, C. T. N. (Howden & Molleson, Edinburgh)
Walls, A. P. M. (Dickson, Middleton & Co, Stirling)
Watson, D. (Gillespie & Anderson, Glasgow)
Watt, A. A. (G. K. Johnston & Smillie, Edinburgh)
Wight, P. W. (Dingwall, Peden & Henderson, Edinburgh)
Wilkie, I. W. A. (Nelson, Gilmour, Scott, & Co, Glasgow)
Williams, J. T. H. (Grahams, Rintoul & Co, Glasgow)
Wilson, G. C. (Welsh, Walker & Macpherson, Greenock)
Wood, D. (Mitchell, Kennaway & Co, Aberdeen)

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE ACCOUNTANT

ESTABLISHED 1874

JULY 11TH, 1964 VOL. CLI. NO. 4673

CONTENTS

Taxing Corporate Profits

THE likelihood of a change of Government after October next is sufficiently strong at present to dominate the stock-markets and to stimulate thinking about the most successful hedges available to the investor. One of the major unknowns in any evaluation of the prospects for investors in the event of a Socialist administration is the pattern of direct taxation. A basic tenet of Socialist fiscal philosophy is the need for a greater measure of redistribution of income and wealth. If this objective is to be attained, then higher direct taxes, particularly in respect of capital, must be expected.

One of the key problems is the taxation of corporate profits. From the purely redistributive aspect, to the extent that shareholdings are concentrated in the wealthier section of the community, any tax which effectively reduces the return on invested capital is desirable. Estate duty, the tax on short-term capital gains whether it be Case VII or some extension thereof, or a new annual wealth tax on the Swedish model, have one feature in common: they take away income or capital that has been received and in so doing generate the adverse psychological effects of high taxation which are reflected in the prevalence of avoidance and evasion. A tax on corporate profits is largely free from this defect. Furthermore, in so far as higher taxes on profits conduce to the formulation of an incomes policy acceptable to organized labour, their attractions for a Labour administration are doubled.

If one accepts the arguments for taxing corporate profits *per se*, as distinct from taxing them as income in the hands of shareholders, then a two-tier tax on profits is logical. It is widely believed that a future Labour Chancellor will impose a corporation tax, at rates considerably above the ruling profits tax, under which no credit will be given to shareholders. They will then be charged to income and surtax on any distributions made out of the net profits. There is nothing novel about such a proposal; it is the basis of the North American corporate taxes and of those in many European countries. Nevertheless, it would represent a fundamental departure from British fiscal thinking. As the majority report of the Royal Commission on the Taxation of Profits and Income was at pains to point out, the taxation of corporate profits was, until relatively recently, based upon the assumption that the company was no more than a very large partnership. In brief, the assessments were made upon the individual members, and not upon the company as such. The introduction of the national defence contribution and its successor, the profits tax, represented a break in this pattern of thought although, by keeping the rates

fairly low, the result was no more than an attempt to get the best of both fiscal worlds. The majority view of the Royal Commission has the outstanding merit that it ensures, subject to the bulk of profits being distributed, the most equitable tax treatment of profits. The alternative represents the modern approach to maximizing revenue in the most convenient and administratively simple form.

With the pattern established in the United Kingdom, it is open to a future Chancellor to adopt one of two policies; they could even be combined. Thus the profits tax could be increased to the point at which it would offset the loss of revenue, if profits were no longer charged to income tax, the resultant net profits then being further charged to income tax if and when they reach the shareholders. The alternative is to revive the dual rate profits tax. Neither system would give the Inland Revenue any serious trouble, which is more than can be said for the more novel suggestions of an extended tax on capital gains or an annual wealth tax.

Whereas at one time the dual rate tax seemed to be a strong favourite to feature in an early Socialist Budget, there are signs that the issue is not as clear-cut as it once appeared. The defects of the tax have been stated at length and often enough to be familiar to most accountants. The first weakness is that the tax is purely arbitrary in its incidence between companies, in so far as their liability depends largely on the capital structure and dividend policy of the board. The second, and from the point of view of a future Government more serious, criticism is that the discrimination against dividends is not always so evident as is the obvious encouragement to companies to retain profits which cannot always be put to effective use.

Nevertheless, these criticisms seem to have been subordinated in the past by members of all political parties on the grounds that the discriminatory taxation of distributed profits was desirable for economic and social reasons. In an article[1] in the current issue of *The Economic Journal*, Dr ALEX RUBNER demonstrates that these arguments were illogical and that the working of the differential profits tax was inconsistent with the needs of the United Kingdom economy. As far as economic considerations were concerned the notion that by restricting dividends the inflationary pressure generated by consumer expenditure would be held in check was completely unjustified. The same expenditure by corporate bodies on new capital equipment was no less inflationary although perhaps in the longer run, more conducive to greater industrial efficiency. Furthermore, in so far as dividend limitation led to the raising of the CRIPPS 'umbrella' over private companies, there was a substantial loss of surtax to the Exchequer. In the case of both private and public companies, excessive accumulations of reserves merely helped to generate future capital gains.

It is ironic, to put it no more strongly, that it was under a Conservative Chancellor that the differential between the rates on retained and distributed profits reached its maximum. It had reached a 1 : 5 ratio under Mr GAITSKELL, but only four years later Mr BUTLER lifted it to 1 : 11, i.e. 2½ and 27½ per cent. Furthermore, as Dr RUBNER's statistical exercise reveals, far from the ever-rising rate on distributions limiting dividends, the percentage of profits distributed tended to increase. What his data make clear is the tendency among boards of directors to stabilize their distributions regardless of the rate of tax on distributions. The majority report of the Royal Commission in 1955 had already found the profits tax wanting as far as its effectiveness in restricting dividends was concerned, although the minority contended in effect that this was due merely to the fact that the differential rates of tax were not sufficiently wide. Yet, as Dr RUBNER points out, when Mr BUTLER adopted this very proposal, the result was a further increase in distributions.

Dr RUBNER affirms, too, the predictions that tax reductions tended in the main to inflate reserves rather than dividends. In his opinion the factor which did most to reverse the practice of excessive retentions of profits was the sudden spate of take-over bids. Noting that low distributions – between a quarter and one-third of net profits – are a feature, not only in the United Kingdom but elsewhere in the world, he suggests that the phenomenon is more for sociologists and politicians to explain than for accountants and economists. Perhaps if shareholders were to address themselves seriously to this matter, the phenomenon would cease to exist.

[1] 'The Irrelevancy of the British Differential Profits Tax'.

Freeing the Economy

WHILE it may well be true that the outcome of the General Election will be determined by the public's assessment of the two major parties' economic policies, it is unlikely that the pre-election discussion on economic matters will receive more than passing comment from the politicians.

Under the auspices of the Institute of Economic Affairs, Professor COLIN CLARK and Professor E. VICTOR MORGAN have outlined proposals for the revision of the fiscal structure[1] and monetary system[2] respectively which, in their views, would do most to regenerate in the one case incentives and, in the other, competitive conditions within the economy. Both authors are agreed that the present state of over-full employment has a debilitating effect on efficiency, leads directly to waste, both public and private, and that the attempts to maintain the economy on an even keel in such conditions can only fail.

Professor VICTOR MORGAN suggests that if only some of the steam could be let out of the economy, by allowing the level of unemployment to rise fractionally from its present 1·4 per cent to 2 per cent, a greater measure of competition would generate more efficiency. Reviewing the monetary weapons of the authorities, Professor VICTOR MORGAN contends that price stability needs to be put much higher in the list of policy objectives, and that instead of seeking to adjust every minor fluctuation in the economy in order to maintain the present state of over-full employment, it would be better for all concerned if the authorities were to concentrate primarily on the longer-term objectives of price stability and balance of payments equilibrium. In pursuit of these objectives, Professor MORGAN suggests that while perfect price stability is unobtainable, some modification in the pace of recent inflation would be achieved by imposing an effective limit on the note issue. He suggests a maximum rate of growth therein of 4 per cent per annum. He recognizes that some regulation of the volume of bank deposits is also necessary and to this end a combination of Bank rate and open market operations should suffice. An overriding consideration, however, is the need for the Government to avoid borrowing from the banking system, also to allow interest rates to find their natural level rather than intervening in the money market and maintaining artificially high short-term rates. In particular, he criticizes the use of Bank rate to check the balance of payments crises. He argues that the net effect on reserves may be small, while the effects on the domestic economy of such measures are damaging to growth. Far better to meet such strains, he argues, by drawing on reserves.

Professor COLIN CLARK's thesis is clear, High taxation reduces incentives and encourages waste. As a start he would reduce Government spending by a revision of the terms of the Welfare State, by adopting the policies advocated elsewhere by the Institute of requiring taxpayers to meet their needs through insurance and direct provision. His proposals for tax reform are, to say the least, sweeping. He would exempt savings from taxation, and substantially reduce the highest rates of income tax, while reducing those at the lower end. In contrast, he would raise the rates upon middle incomes. The effect of his changes would be substantially to increase the yield of income tax from just over 10 per cent of the national income to just over 14 per cent, the highest marginal rate of tax being 48·5 per cent.

An important feature of his scheme would be the taxation of land, although he recognizes that really high taxes are impracticable. He rejects the present system of company taxation and believes that shareholders should 'be willing to pay quite heavy taxation in return' for the privilege of incorporation and freedom of liability for the company's debts. He is highly critical of the present treatment of capital gains, as he is of the plea for a discriminatory profits tax in favour of retained dividends. Likewise the estate duty should be transformed into an effective inheritance tax linked with modifications in the taxation of capital gains.

Whether or not one agrees with the proposals made in these Hobart Papers, the Institute deserves our thanks for stimulating debate of issues which should be in the forefront of public discussion at the present time.

---

[1] *Taxmanship.* Hobart Paper No. 26. Price 6*s* net.

[2] *Monetary Policy for Stable Growth.* Hobart Paper No. 27. Price 5*s* net.

The Future of the Accountant – I

DILEMMAS FACING THE PROFESSION

by W. T. BAXTER, B.Com., C.A.
Professor of Accounting, University of London

THE future historian of our profession will perhaps sum up the twentieth century in this way: the first half saw growth and smooth development; the accountant enjoyed prestige and felt confident. The second half saw an abrupt change in his prospects; new forces threatened him, competitors invaded parts of his kingdom, and he himself no longer felt sure that his training matched his opportunities.

The suggestion that we are at such a turning-point may prove too gloomy. Let us hope so. But the threats – and also the opportunities – seem real enough. I suspect that we must now either show ourselves capable of shouldering important new tasks, or else abandon some of those that we take for granted – and lose some of our prestige into the bargain.

It may therefore be sensible to take stock of our present position, to see just where our strength and weakness lie.

THE SUB-DIVISIONS OF ACCOUNTING

For this review, we can conveniently break up accounting into various sub-divisions. (Auditing shares in at least the first two of these, and so I have, for brevity, not treated it as a separate sub-division.)

Stewardship Accounts

In past centuries, the accountant's great contribution to economic life has been the orderly recording of business transactions. Thanks to his double-entry technique, he has been able to record and sort historical data with skill and efficiency, and in ever-growing quantities. We may well doubt whether trade, except in an elementary form, would have been possible without book-keeping. Personal accounts provided an easy way of keeping the records that were essential if credit transactions were to be remembered. Personal and related kinds of accounts also helped the growth of agency, consignments, joint-ventures, and partnership – the devices by which much trade was organized till, say, the early nineteenth century. Accounts for cash and other assets helped to control wealth.

All such accounts were specially useful as evidence to some other person that his affairs had been faithfully managed. This sort of work is therefore often called *stewardship accounting*. Nowadays, 'data processing' is being more and more used instead, but I shall stick to the older phrase.

Financial Reporting

Historical records were put to a new use from about the middle of the nineteenth century. Then firms began to raise capital on a large scale from the public. Further, the State greatly increased its say in business affairs – by its new bankruptcy rules, its company law, and (above all) its taxes on income. It demanded periodical accounts for shareholders and its own officials. The accountant responded by demoting his old consignment accounts etc. (which showed the profit on each kind of venture), and promoting statements that gave a view of the whole firm, i.e. the annual income account (hitherto a tidying-up device rather than a source of information) and the balance sheet (hitherto regarded as not much more than a trial balance). Thus the new reports grew out of the old methods of book-keeping; despite the change of function, the figures were still tightly linked with historical records.

This type of work has, of course, grown enormously in its scope and complexity – and seems likely to go on growing. It can conveniently be labelled *financial reporting*; but some such phrase as 'statutory accounting' would also be apt.

Management Accounting

The phrase 'management accounting' stands for two different things. First, there is an extension of control. Perhaps this should be treated under the heading of stewardship; some parts of the firm's accounts, notably costing, are the up-to-date counterparts of the eighteenth-century merchant's venture and voyage accounts, in that they show in detail the results of the firm's

different activities. But there is now an important contrast with the earlier control methods. Many accountants have decided that historical book-keeping is not enough. Increasingly they are reinforcing their controls with *forecasts*, i.e. are using budgets to supplement historical accounts. Their forecasts include budgets for the whole firm and sections of it, and standard costs for many activities within a factory. This new approach has been welcomed by business; there is a general feeling that the budgets and good planning go hand in hand (notably because budgets foster team work), and that study of the variances between budget and actual data gives firmer control. Not unnaturally, the accountant has tended to arrange his new forward-looking figures in the same familiar style as the old backward-looking ones, and to incorporate the standards within double-entry.

Secondly, management has in recent years asked more and more for data that will help it with *decision-taking* – on problems such as whether to sell more of product X and less of Y; whether the time has come to replace an old machine; or whether to make or buy components. Accountants are striving to meet this demand. The question is whether we have gone far enough and whether we have grasped the principles that are needed. Decisions, like the new controls, demand budgets; the accountant's first impulse – again not unnaturally – has been to use his historical data instead. This may lead to error. So here the accountant's training is apt to be a handicap.

It is perhaps no exaggeration to say that the switch from historical figures to forecasts is the biggest change that has taken place in accounting during its first seven centuries.

Though it is convenient to put both types of budget (for control and for decision) under the heading of 'management accounting', there is some case for calling the second 'economic accounting'. This name would mark the need for fresh principles, and would underscore the debt that we owe in this area to the clear thinking of the economists.

ASSESSMENT OF THE THREE SUB-DIVISIONS

Having classified accounting under three heads – stewardship, financial, and management – we must next assess the degree to which each branch meets the demands now put upon it, and therefore the likelihood that it will endure or wilt in the future.

Stewardship Accounting in the Future

Stewardship, the oldest of the three, is plainly the most satisfactory. It sets itself the limited task of recording a narrow set of transactions that are governed by unambiguous rules (mainly of contract law). The figures are never in doubt. The double-entry system is simple and flexible. Given care and time, the accountant can here achieve perfection.

Accordingly, we may reasonably expect that stewardship records will retain their importance and that demand for accounting service in this field will if anything grow bigger.

Nevertheless, the accountant may not have everything his own way. He faces threats from rivals who have developed impressive new techniques for handling figures. The statistician has shown that results of high accuracy can be got from samples (whereas accountants are predisposed to record the whole of the transactions, even when such thoroughness is laborious and costly); moreover he can define the probable accuracy of his figures. The expert in operations research has shown that he, too, can often contribute something of value (e.g. in stock control); some of his techniques need more mathematics than the normal accountant can command.

Stewardship, Control and the Computer

Above all, more and more accounting work will probably be taken over by men who are experts with the computer. One American writer is prophesying that 'every one of the five million business enterprises in the United States will some day, within the lifetime of men now active, process all its business data on computer systems'.[1]. Change on anything like this scale would be something of a threat to book-keeping skill. If even fairly small firms can keep their accounts by hiring time on a computer, and standard programs are available for every kind of trade, there will no longer be much scope for the man who now supervises book-keeping. However, there may be a gain if he can move away from routine and can take the historical figures for granted. He will then be free for more important work and more disposed to study other values and techniques. Understanding of double-entry principles is likely to remain a necessary part of his mental equipment – but he will be able to let it recede somewhat from the forefront.

This is not to suggest that the accountant can safely sit back and leave data processing to the

[1] John E. Johnson, 'E.D.P. as it Affects the Accountant', *N.A.A. Bulletin*, December 1963.

computer expert. If he does, he will abandon his function of control. Indeed, control is threatened in any case; whereas the old procedures fall readily into separate steps (each of which has visible results that can be checked), the computer is apt to jump from start to finish without any visible intermediate stages. So the accountant is abdicating responsibility if he does not help to build-in ample controls at the planning stage. A system is unsafe unless the accountant knows at least enough to participate in 'the detailed planning procedures and programmed internal controls, as well as in the detailed procedural changes and actual running of the programs'.[1]

The auditor, too, will become less effective if he fails to acquire an understanding of the computer. An ignorant auditor will be at the mercy of the expert; further, he will be insensitive to new types of error that may be bred by the new techniques. Computers may offer a golden chance to the expert with a taste for embezzlement. Is it unreasonable to guess that a second Coster will sooner or later try to bring off a devastating *coup*? If he succeeds, the profession will again lose face as it did after the McKesson and Robbins affair, and may have to accept reform from outside.

Financial Reporting in the Future

Mainly because it calls for artistry and personal judgment, the drafting of public reports is not likely to be done by computers. Here the accountant can keep his pre-eminence. However, although the financial accountant has not any obvious rivals, some parts of his approach are attracting a good deal of hostile comment from intelligent critics (particularly the investment analysts). This criticism, and his own obvious wish to produce better figures, should both impel him to review the traditional approach.

It is easy to argue that financial reporting, like stewardship, is a success. To do so, however, one has to use a rather artificial standard. If the final accounts are no more than the culminating proof of good historical book-keeping, then admittedly they deserve high marks. But if they are instead a means for telling managers and investors about the firm's progress and present state (i.e. if they are meant to show current economic facts), then they are open to criticism. After all, they were not designed for this latter end. They are summaries of historical data; they came into being, as we have already noted, not to give information, but as a by-product of clerical routine (the income account as a periodic bonfire for obsolete figures, and the balance sheet as a test of accuracy). It is expecting a lot to think that they can meet both purposes well.

Suppose that mankind knew nothing about final accounts, and had now to invent them *de novo*. Can anyone seriously contend that managers and investors would ask first for historical data? Surely they would instead ask for various up-to-date figures to show:

(1) how the firm's wealth has grown recently – as a test of efficiency in buying and selling assets, and in 'operating' them; and

(2) the current nature and value of the net assets – as a test, e.g. of the adequacy of the income: capital ratio.

In other words, desirable accounts would throw light on management's skill at dealing with the market, and at running the firm internally; and also at holding liquid and other assets in good proportions. Investors are concerned with the trend of the cash flow (and therefore of likely dividend patterns in the future); so they want up-to-date figures that bear on this matter. Only as an afterthought would they ask for supplementary statements to prove faithful stewardship; the latter may be a basic need, but – like many other basic needs – is surely something that a sophisticated society can take for granted.

Our existing (historical) final accounts thus pass muster mainly because the standard that we set for them is synthetic. We establish our own simple requirements (stemming from ease of book-keeping rather than economic reality), and then have not much trouble in meeting them. Accounting 'profit' is sound by the test of man-made law; it is less sound as a logical attempt to measure economic growth.

One gets support for this view when one looks at our textbooks' attempts to set out the principles that underly accounting profit. The best that they can do is to explain those principles in terms of splitting up historical costs and revenues appropriately between years. As a description of how to put the debits and credits in the ledger, this is satisfactory. But I cannot see that it says much in terms of economic measurement.

The same sort of difficulty arises when judges have to decide what is income. Not unreasonably, our Courts have come to accept something close to the accounting way of measuring income as right for tax – because that way is quick, simple, and normally leaves little scope for dispute. A judge might therefore end a case sensibly by

[1] John E. Johnson, *ibid.*

saying: 'After listening to the argument on what is the proper income figure, I find that the one given by method *x* is correct. It is not much use as a measure of the firm's economic progress. But the evidence shows that it demands fewest man-hours in the book-keeping department, accords most closely with tradition, and affords little room for bickering.' In fact, the judge's words in such cases will sound more impressive than these, but may mean less.

However, it is easier to ask for satisfactory current values than to provide them. The book-keeper can reasonably argue, so far as small firms are concerned, that current values are not worth the trouble involved by their preparation. But managers of large firms, and investors in public companies, seem entitled to the best available figures – which need not in fact involve excessive trouble.

(*To be continued.*)

Contracts of Employment

CONTRIBUTED

THE Contracts of Employment Act came into force last Monday, July 6th, and every employer concerned under the Act must give each of his employees, who come within its terms, a written statement about his terms of employment not later than thirteen weeks after this date, i.e. by October 5th, 1964.

Employees Concerned

Under the Act an employee 'is an individual who has entered into or works under a contract with an employer, whether the contract be for manual labour, clerical work or otherwise, be express or implied, oral or in writing, and whether it be a contract of service or apprenticeship'. Cognate expressions are to be construed accordingly.

This definition is very widely drawn and is intended to cover as wide a field as possible. It is no doubt part of a long-awaited 'Workers Charter'. One has the feeling that it could quite easily have had more 'teeth' in it, such, for instance, as stating categorically that so-called 'wild-cat' and 'demarcation' strikes constitute breaches of contract. This would not remove the employees right to strike, it would merely curb the subversive minority.

Excepted Classes

The scheme does not apply to:

(1) Registered dock workers normally employed.

(2) Masters or seamen on sea-going British ships having a registered gross tonnage of over eighty tons.

(3) 'Sea-service' apprentices covered by the Merchant Shipping Act, 1894.

(4) Written particulars of terms of employment need not be given to the father, mother, husband, wife, son or daughter of the employer.

What must be provided

Not less than thirteen weeks from the beginning of a term of employment, the employer shall give to the employee a written statement identifying the parties, specifying the date of commencement of employment, and giving the following particulars:

(*a*) Scale or rate of remuneration or the method of calculating remuneration.

(*b*) Whether the remuneration is to be paid weekly, monthly, or at some other period.

(*c*) Terms and conditions relating to hours of work – both normal and overtime.

(*d*) Any terms and conditions relating to holidays and holiday pay.

(*e*) Terms and conditions relating to incapacity for work through sickness or injury and provisions (if any) for sick-pay.

(*f*) Pensions and pension schemes.

(*g*) Length of notice the employee is obliged to give and entitled to receive to determine his contract of employment.

If there are no particulars to be entered under the heads of paragraphs (*d*), (*e*) and (*f*), then that fact must be stated. Pension details need not be included where the employee's pension is already covered by Act of Parliament – in the case of teachers for instance.

If after the date to which the statement relates

there is a change in the terms to be included or referred to in the statement, the employer shall not more than one month after the change, inform the employee of the nature of the change by a written statement, and if he does not leave a copy of the statement with the employee shall preserve the statement and ensure that the employee has reasonable opportunities of reading it, or that it is reasonably accessible to him.

Such a statement may refer the employee to some other document which is reasonably accessible to him.

Length of Notice

The notice required to be given by an employer to terminate the contract of employment of a person who has been *continuously* employed for twenty-six weeks or more is as follows:

(*a*) If under two years – one week's notice.

(*b*) Over two years but less than five years – two weeks' notice.

(*c*) Over five years – four weeks' notice.

The notice to be given by an employee who has been employed for twenty-six weeks or more shall be not less than one week.

The Act does not prevent either employer or employee from waiving his right to notice on any occasion or from accepting payment in lieu of notice, nor from allowing either party to terminate the contract without notice if the behaviour of the other party justifies it. Schedule 2 deals with the rights of the employee in the period of notice.

Naturally, parties can contract for other periods if they wish, but the periods stated will be regarded as minima notwithstanding anything in the contract to the contrary. A working week is defined as any week in which the employee is employed for twenty-one hours or more. If, however, an employee is absent for the whole or part of a week through sickness or injury, temporary cessation of work, or is absent such that by arrangement or custom he is regarded as continuing in his employment for all or any purposes, then such week shall count as a period of employment.

Position of Professional Classes

Certain professional classes are in the traditional 'no-man's land' with regard to the Act. Articled clerks are a good example. They, like many other professional people, already have a comprehensive contract of service. Teachers and local government employees also have their own forms of contract and it is important that these should now be scrutinized very carefully to see that they either conform with the requirements of the new law or are brought into line with it. The Institute of Chartered Accountants in England and Wales has suggested certain paragraphs for inclusion in the statements given to articled clerks drawing attention to the terms of their employment and articles, and pointing out the period and expiration of their contracts. The terms of the notice sent to all practising members of the Institute were announced in *The Accountant* of June 13th, at page 774, but for ease of reference the text of the suggested paragraphs is set out below:

General

(1) Your employment is subject to the terms of your articles of clerkship, as registered at The Institute of Chartered Accountants in England and Wales under number , a copy of which you have been given for reference.

(2) Your articles of clerkship are expressly subject to the provisions of the Royal Charters and bye-laws of the Institute for the time being in force, an up-to-date copy of which may be examined on request to me.

Period and Expiration of Contract

(3) Your contract of service is for the fixed term expiring on specified in your articles subject to the provisions as to prior termination therein specified or referred to. If your articles are so terminated, the provisions therein as to notice shall apply unless the Contracts of Employment Act, 1963, requires the giving of a longer period of notice.

The paragraph of the statement referring to normal hours of work and overtime should include a reference to the articled clerk's entitlement to study and other leave as defined in the articles.

Forms

It will be of interest, particularly to employers of large staffs, to know that various firms specializing in such things have already put on the market tabulated forms of contract which may be filled up in duplicate – one copy for filing and one for the employee. These forms are in a convenient size and will save employers much time and expense in compiling their own.

Schedule E Expenses and Benefits-in-kind – II

by ERIC C. MEADE, F.C.A.

Directors and over £2,000-a-year Employees

IT is now my intention to consider the special position of directors and of employees whose emoluments amount to £2,000 or more a year because, as I have said previously, the scope of Schedule E has been enlarged in their case. In the first place it is provided that any expense allowance, or any reimbursement of expenses incurred, made to such persons has to be treated as if it were taxable remuneration. It then remains open to the director or employee to set about putting forward a claim for a deduction on account of expenses properly incurred – a matter that I shall consider in a few moments.

However, the immediate effect of this provision is softened in two ways. In the first place an Inspector of Taxes is empowered to grant a dispensation in respect of expense payments if he so wishes, and where a dispensation is granted the expense allowance or reimbursement is not treated as taxable remuneration, the employer need make no return of the expense payments so made and the employee need make no claim for tax relief in respect of them.

The present practice of the Inland Revenue is to give such dispensations in respect of the expense of travelling in the United Kingdom where the employment clearly requires travelling to be done, but not to give such dispensations in respect of foreign travel or in respect of entertainment expenses. The second way in which the effect of the provisions is mitigated is that an Inspector of Taxes may, and invariably does, authorize an employer not to apply P.A.Y.E. deductions to expense allowances and reimbursements for which no dispensation has been granted; but in these cases the payments must be included in returns made by the employer and employee, and the employee must, at the end of each year, make a formal claim for tax relief if required to do so by the tax office.

Principles Negatived

The second part of this special legislation is more complex. It provides that where the employer has incurred expenditure in providing accommodation, entertainment, domestic or other services, or any other benefit-in-kind or facility for a director or for an over £2,000-a-year employee, the amount of the expense is to be treated as taxable remuneration. If the benefit provided by the employer takes the form of the use of an asset owned by the employer (such as a company house or company car), the measure of the taxable remuneration is the annual value of the use of the asset. Thus this part of the legislation negatives two of the ordinary principles which we have already seen. First, a payment in kind is rendered taxable whether or not it is convertible into money; and secondly, it is the cost incurred by the employer, and not the market value of the asset when given, which is the measure of the taxable remuneration.

On the face of it these special provisions appear to be all embracing. But a recent decision in the House of Lords has shown that the Courts are anxious to see that they are not applied over-zealously and thus unfairly by the Revenue. In this particular case the company allowed its managing director to occupy a house owned by it. In fact, the managing director, a Mr Luke, occupied it for two and a half years and paid the company a rent equal to the then Schedule A tax net annual value. During the period of occupation the company paid the fire insurance premiums, the owner's rates and substantial amounts in respect of structural repairs and renovations done to the property. The Inland Revenue claimed that by paying for these items the company had provided a benefit or facility to Mr Luke, and that therefore the money spent by the company had to be treated as taxable remuneration of Mr Luke. Mr Luke in his turn argued that he was paying a fair rent for the property, and as a tenant he was in no way responsible for expenditure which the company incurred in its capacity of landlord. The case, as I have said, went to the House of Lords, and there it was held that Mr Luke was not taxable on the expenditure in question. Lord Reid's judgment was particularly illuminating. He said:

> 'There is no doubt that the lease was a genuine contract, and that the benefit or advantage obtained by Mr Luke was derived from the terms of that contract. The contract required the landlord to accept the usual responsibilities of any landlord, namely to insure the building and to execute structural repairs. How, then, can it be said that by expending money on these items the company was benefiting Mr Luke. In any event I am not prepared to adopt an interpretation of the law that will impose a liability to tax in these circumstances. The Court was entitled to assume that Parliament intended to produce a reasonable result. Certainly in one sense the repairing of the property provided Mr Luke with a benefit – it made the property more enjoyable to live in – but I prefer to construe the word "benefit" in a narrower sense so as to avoid producing an unreasonable result.'

As a result of this case the Inland Revenue now accept that expenditure on a company's house that is

The concluding part of a paper presented at a business tax course for directors and senior executives of Richard Costain Ltd.

essentially the obligation of a landlord to incur cannot be treated as taxable remuneration of the director or employee who occupies the house.

Interpretation of 'Benefit'

Just recently we have had another Court case on the question of the proper interpretation of the word 'benefit'. It arose out of a car accident which occurred on July 23rd, 1958. Mr Rendell, who was a full-time director of Peter Merchant Ltd, the caterers, was driving a car on the company's business when it left the road and killed a pedestrian. The next day, while in hospital, Mr Rendell instructed his secretary to get legal advice from the Automobile Association; but when his managing director heard of this, he countermanded that instruction and consulted the company's own solicitors. They advised him that Mr Rendell might be charged with causing death by reckless or dangerous driving; that if convicted he would be sent to prison; and that the company might be involved in liability. As the managing director felt that the company's business would suffer to a material extent if Mr Rendell were absent from his duties for a lengthened period, he instructed the company's solicitors to spare no expense in endeavouring to obtain Mr Rendell's acquittal. The solicitors accordingly made full preparation for the defence, instructing an expert, and senior and junior counsel. Three months later the trial came up for hearing, and at the conclusion of the trial Mr Rendell was acquitted. The bill of costs for the defence, amounting to £641, was presented to and paid by the company.

The Inland Revenue claimed that the company had incurred this £641 in providing a benefit for Mr Rendell, and that that sum should therefore be treated as taxable remuneration of Mr Rendell. For Mr Rendell it was argued that, if not all, at least the substantial part of the £641 was incurred for the benefit of the company and therefore should not be taxed on him. In a decision given barely three weeks ago the House of Lords held that Mr Rendell was taxable on the full amount of the £641. The main judgment was given by Lord Reid who said that the money was spent for the sole purpose of preventing Mr Rendell's conviction. It was true that if the company had not intervened Mr Rendell would have spent a much smaller sum in defending himself, but he would not then have got the same benefit. His defence would not have been prepared in the way it was, and he would not have been defended by experienced counsel. In fact he would have run the risk that the lack of a proper defence might have led to him being convicted and sent to prison. The benefit obtained by Mr Rendell was the lessening of that risk which, in the event, had cost £641. The fact that the company, by its action, protected its own interests was irrelevant.

We are now left with the type of situation that would arise if a company were, without the knowledge of its employee, to incur a sum of money to procure him a benefit which he did not want. No doubt a situation such as this could arise, and I would think that the Courts would take the view that that would be a case of a benefit being not a benefit and so not taxable.

Expenses and their Deductibility

It is now my intention to consider the question of expenses and their deductibility. The statutory rule is divided into three parts. The first part relates to travelling expenses. The second part relates to the expense of keeping and maintaining a horse for the purposes of the employment – in these modern days this part of the rule clearly has no application, although its presence illustrates the antiquity of the law and the failure of the legislators to keep it up to date. The third part of the rule relates to all other types of expense, and thus includes entertainment expenses.

The rule relating to travelling presents little difficulty. For the expense to be deductible, two requirements have to be satisfied. Firstly, the travelling must be done in the course of performing the duties of the employment; and secondly, it must be the nature of the employment that makes the travelling necessary. It is sometimes asked why the expense of travelling to work is not deductible. The reason is that this offends both requirements – the travelling is done before the duties of the employment commence for the day, not in the course of them, and it is the situation of the employee's private residence and not the duties of the employment that renders the travelling necessary. This rule is particularly unfair in relation to an employee who is working on a contract site and who has to travel further to get to the site than he would otherwise have to do to get to the company's place of business. If he travelled first to the company's place of business, and then to the site, the latter part of the expense would be deductible, but if he travels direct to the site and so saves time none of the expense is deductible. One can only say that the law is an ass in this respect, and fortunately many tax inspectors are prepared to compromise in this sort of case.

Where an employee spends nights away from his home in the course of performing his duties, his board and lodging fall within the term of travelling for the purposes of this rule. In a strict sense eating and sleeping are the necessities of a human being whether he is employed or not, and therefore the whole of the cost of his food and lodging is not necessitated by the nature of the employment but only the additional cost to which he is put. This is the reason why, in law, the Revenue are quite entitled to restrict the expense allowance by the amount that the individual would have spent on these items if he had been at home. But as this is difficult to apply with any degree of fairness, the Inland Revenue now by concession allows without restriction the whole expense of food and lodging while away from home on business.

When we come to the third part of the rule, that relating to all expenses other than travelling, the real difficulties arise. To obtain tax relief for these expenses the employee has to show, to use the words of the statute, that he was 'necessarily obliged to expend money wholly, exclusively and necessarily in the performance of the duties of the employment'. Much of the problem with expenses arises from the fact that over the years the Courts, in interpreting the rule, have placed an excessively rigid interpretation on each word used. So much so that one High Court judge, in a case decided ten years ago, was constrained to say that the words used in the rule were deceptive in the sense that when examined they were found to exclude the very expenses they appeared to allow. What, then, in plain terms do they mean? Before endeavouring to answer this, one point must be recognized, namely, that the amount of money spent cannot affect the question of deductibility or non-deductibility; what is of fundamental importance is the act on which the money has been spent. Thus, if one entertains a customer, it is of no consequence whether £5 or £105 is spent on that act of hospitality; the material question is whether the act of entertaining that customer qualifies. If it does the whole of the expense, be it £5 or £105, will be allowed; if it does not, then no sum however trivial will be allowable.

Expense Rule Tests

I think that the expense rule can be best explained by saying that for an expense to be allowable, each and every one of the three following tests have to be satisfied:

(1) Firstly, it must be impossible for the individual in question, or any other person, to perform the duties of the employment without doing or performing the act in question.

(2) Secondly, the act must be done or performed while the duties of the employment are being carried out, not before and not after.

(3) Thirdly, the act must relate only to the duties of the employment.

Let us consider each of these tests separately. Firstly, it must be impossible for any normal or average person to carry out the duties of the employment without doing or performing the act in question. To illustrate the nature of this test let us assume that your secretary is a little deaf, and wishing to be 100 per cent efficient in her job she rents a hearing-aid. This hearing-aid she keeps in the office, and she uses it only when she is taking down dictation from you. Could she claim a tax allowance in respect of the rent? We have to ask ourselves whether it would be impossible for her or any other person to take the dictation without the use of the hearing-aid. If the fault lies with the particular girl in that she is a little deaf then the claim would fail, for it would not be the duties of the employment that have necessitated the hearing-aid, but her own personal deafness. If, on the other hand, there was nothing at all wrong with her hearing, but the fault lay with the dictator in not being able to speak audibly, then the claim would succeed, for whoever happened to be his secretary would have to have recourse to a hearing-aid to take dictation from him.

The second requirement that has to be satisfied is that the act must be done while the duties of the employment are being performed. Supposing, for instance, your company requires you to attend evening classes with a view to your obtaining a degree in civil engineering. Would you be able to claim an allowance for the expenses you incur in doing this? The answer must be 'no' for the act, namely the attendance at evening classes, would be done after the duties of your job with the company had finished for the day. It is, I regret, a fallacy to assume that because the employer requires you to do something that is necessarily the same as the duties of the employment requiring it. The employer might order you to lunch at an exclusive restaurant and not at a local snack bar, but the duties of your employment could not be said to require this. If, however, you were an employee of the restaurant, and part of your duties was to ensure that the standard of service in the restaurant was maintained, then your duties would require you to eat there and hence an income tax allowance could be obtained if you had to pay for the meal out of your own pocket.

The third requirement is that the act must relate solely to the duties of the employment. This test prevents any allowance being obtained when the act in question is not done for business reasons only. For instance, if a director rents a West End flat in which he resides from Monday to Friday each week, it will avail him nothing claiming income tax relief in respect of two-fifths of the rent he pays on the grounds that on two days out of every five it is necessary for him to entertain business associates there. The rent is paid in respect of the occupation of the flat, and the question to be asked is whether the act of occupying the flat relates solely to the duties of the employment, or whether it relates partly to those duties but otherwise to ordinary private living on the days when customers are not entertained. Clearly the occupation has this twofold purpose, and therefore the claim for an allowance would fail by reason of the third test not being satisfied. It is generally recognized and accepted that a difficult question of degree arises in endeavouring to satisfy this test. Just because the employee derives some incidental or subordinated personal benefit from the expenditure does not mean that the claim for an allowance will fail. It will only fail if the private benefit is of itself a separate substantive purpose of the expenditure. To indulge a taste for caviare by inviting business customers to lunch, however pleasant, would be expensive since the purpose of the lunch would not be solely the

entertainment of customers. He who first decides to invite the customers and then orders the caviare will be more likely to succeed with his expenses claim than he who first decides to order the caviare and then invites the customers.

Club Subscriptions

At the present time much annoyance and irritation is caused to taxpayers by tax inspectors refusing to admit as allowable expenses, club subscriptions on the one hand and the travelling costs of wives accompanying their husbands on business trips on the other. Perhaps we can spend a minute or two examining these types of expense.

Dealing first with club subscriptions, there is I fear little room for manoeuvre left. In 1961 the Inland Revenue claimed that the branch manager of a bank was not entitled to have income tax relief on the subscription he paid to his luncheon club even though his employers had requested, and indeed expected, him to join it. The Court held that the duties of a branch manager were to manage the branch, and that these duties could be performed by the manager whether he joined the club or not. Consequently, the first test was not satisfied and the expense claim failed. More recently a director of a City financial institution appealed against the disallowance of his City luncheon club subscription but his appeal has been dismissed by the Special Commissioners. The main difficulty lies in proving that the duties of the employment make it necessary for the club to be joined. If that difficulty can be surmounted, it will remain necessary to prove that the club is used solely for business purposes. I imagine that it is most unlikely that many directors will be able to satisfy these rigid requirements.

Travelling Expenses of Wives

With regard to the question of the travelling costs of wives accompanying their husbands on business trips, it is necessary for the husband to show that the business purpose of the trip cannot be achieved unless husband and wife go together. Thus provided the wife has some practical qualification directly associated with her husband's mission which she uses to assist him regularly during the tour, her travelling costs will be allowed. Similarly if her presence is necessary for the purpose of acting as hostess at a series of business entertaining occasions which are an essential part of the mission, her expenses will be allowed. By concession, though certainly not in law, her expenses will also be allowed where it can be shown that the husband's health is so poor that it would be unreasonable to expect him to travel alone.

Difficulties can also arise with regard to the expense of entertaining one's own colleagues. Where the substantive purpose of the expenditure is to gather one's colleagues together for a discussion on business matters, the expense is allowable. On the other hand, if the substantive purpose is to give one's colleagues a free lunch, or a lunch 'on the house', the fact that business is discussed at the luncheon will not cause the expense to be allowable. It is a question, as I said before, of which comes first, the purpose of business or the purpose of hospitality.

The restrictiveness of the expense rule cannot be over-emphasized. On the other hand the rule is not always applied strictly by tax inspectors; some apply a considerable degree of latitude; others do not. But I have one positive suggestion to make. Always endeavour to arrive at a settlement of an expense claim by negotiation with the tax inspector, for the alternative of taking the dispute to the Courts is virtually certain to prove disastrous from your point of view. I know of over fifty cases on expense claims that have been taken to Courts, and in only one of these cases, and that a very special one, was the taxpayer successful.

Many of you will be aware that six years ago the expense rule was altered to allow tax relief for subscriptions paid by employees to bona fida professional bodies of which they are members. I for one would like to see this relief enlarged to permit a similar allowance for the cost of technical books and journals purchased by employees for the purpose of increasing the technical knowledge which they need for their jobs. The expense rule as it exists at present denies this relief.

Lump-sum Payments

There is one further aspect of my subject which I would now like to touch upon. Not infrequently an employment comes to an end before the date of retirement is reached, either by reason of the employer, or by reason of the employee wishing to terminate it. What is the tax position with regard to a lump-sum payment given to the director or employee at that time? There are four possibilities. If the service agreement with the employee contains a clause entitling the employee to a lump-sum payment on the termination of the agreement, the payment made to him is, in law, remuneration and therefore taxable. If the lump-sum payment comprises arrears of salary or commission which have been earned prior to the termination of the employment, the payment will be taxable as remuneration. On the other hand, a voluntary gift made because of the retirement or a payment in lieu of notice, or compensation paid because of the breach of the service contract, is not taxable except to the extent that the amount in question exceeds £5,000. Where the payment does exceed £5,000, the taxation liability on the excess is calculated in a manner so favourable to the taxpayer that it is unlikely to trouble him unduly.

Where the lump-sum payment is, in fact, compensation for loss of office or employment, the calculation of the precise sum to be awarded in any given case

can present thorny problems. These problems are increased by a recent ruling of the Courts that the first £5,000 of compensation is to cover net remuneration after tax lost, and the excess over £5,000 of the compensation is to cover gross remuneration before tax lost. While hoping that none of you will ever have your office or employment terminated against your wish, if ever the worst should happen and it is terminated, my advice would be for you to take competent counsel before stating the amount which you consider should be paid to you by way of compensation.

Weekly Notes

INCOME TAX MANAGEMENT ACT, 1964

HAVING received the Royal Assent on June 10th, the Income Tax Management Act, 1964, has now been published. In so far as it relates to income tax it is to be construed as one with the Income Tax Acts; in so far as it relates to profits tax it is to be construed as one with the Profits Tax Acts.

When it was first published in Bill form the Act was the subject of a leading article in our issue of February 15th last, when its main objects and provisions were reviewed. The Act does not come into force until April 6th, 1965, with the exception of certain minor matters. When it does come into force it will greatly simplify the administration of the two taxes, and make for greater certainty. We particularly commend Schedule 2 which sets out, in easily read tabular form, the persons to whom various claims have to be made, and the persons to whom appeals are to be brought. What we need now is a new income tax consolidation Act which incorporates these reforms, as well as the voluminous Finance Acts of the last twelve years. It is to be hoped that we shall not have to wait the thirty-four years which it took to produce the Income Tax Act, 1952.

HIRING COMPUTER SERVICE

THE fifth booklet in the series of studies on electronic data processing published by The Association of Certified and Corporate Accountants deals with the factors to be taken into account when a company or organization, instead of purchasing an installation outright, considers using the facilities offered by a computer service bureau.[1] This is an aspect of computer utilization which has not been much stressed in all that has so far been written on the subject and, in reviewing the problems involved, the Electronic Data Processing Committee of the Association appears to have covered with great thoroughness the advantages and drawbacks of, as it were, hiring time.

The Committee concludes that the idea has much to commend itself to the smaller concern in the way of savings in capital outlay and increased flexibility in staff deployment and, of course, the hirers (made up mostly of manufacturers of computers, universities and large commercial companies with spare capacity on their own machines) obviously benefit from the arrangement as well. A warning is added, however, that these advantages may be jeopardized if adequate methods of control both within the bureau and the organization hiring time are not ensured and, also, if time-tables for the delivery of data to and from the bureau are not strictly followed.

The booklet covers the types of services offered by the bureaux, assesses the various systems available and the relevant costs, enumerates in detail the points of liaison between bureau and customer that must be observed (who, for example, owns the 'copyright' of programs prepared by the bureau from data supplied by the customer?) and lists the essential controls which must be enforced.

This publication is of the same high standard as its four predecessors and its appearance further enhances the reputation of the enterprise as a whole. If when completed the series is produced under one cover the resulting volume should make an outstanding contribution towards the understanding of an aspect of recording about which accountants, in the mass, still know far too little.

[1] *Electronic Data Processing V – The Use of Computer Service Bureaux.* (The Association of Certified and Corporate Accountants, 22 Bedford Square, London WC1. Price 2s net.)

EDUCATION AND TRAINING OF ARTICLED CLERKS

A STUDY conference on the theme 'The education and training of articled clerks' is being sponsored by The Institute of Chartered Accountants in England and Wales during the week commencing tomorrow (Sunday) to Saturday, July 18th. The conference has been arranged in co-operation with The Further Education Staff College at Blagdon, near Bristol, and will be held at the Staff College. It will enable teachers at the universities, colleges of further education and other institutions to meet together with members of the district societies and the Education Committee of the Institute to discuss their common interest in the education and training of articled clerks.

The conference will begin with a general discussion on two introductory addresses; the first on 'The changing pattern of further education', by Dr O. G. Pickard, Principal of Ealing Technical College and a member of the recent Crick sub-committee on 'A higher award in business studies'; the second on 'The work of the Education Committee of the Institute', by Mr Bertram Nelson, C.B.E., F.C.A.,

Chairman of the Committee and President of the Council of the University of Liverpool.

The fifty or so members of the conference will then divide into syndicates to discuss and report in detail on the problems – both educational and administrative – posed by the introductory courses for newly articled clerks which the Institute, through its district societies, is already promoting, on an experimental basis, in collaboration with colleges of further education and other institutions at various centres throughout the country. The conference, by bringing together representatives from both the district societies and the colleges, should lead to the establishment of the close co-operation on which the success of the experiment depends and should also provide a general basis for the holding of future courses on an increasing scale.

There will be a closing dinner on the last evening at which it is hoped that Mr R. McNeil, F.C.A., Vice-President of the Institute, and Mr J. A. R. Pimlott, C.B., an Under-Secretary at the Department of Education and Science, will be present.

REPORT ON COMPANIES

THE *Companies General Annual Report for 1963* published on Tuesday[1] shows that the registrations of new companies in Great Britain at 42,173 were the highest in any year since records were started more than a hundred years ago; the number in 1962 was 34,852. Nearly all the registrations were of private companies. The total number of companies on the registers now exceeds 476,000, of which 460,000 are private companies.

During the year, 8,895 companies were dissolved or struck off the registers, and winding-up proceedings were begun in 5,505 cases of which 742 were compulsory liquidations.

The Companies Registration Offices received the impressive total of 1,082,100 documents for filing during the year; while the public inspections of company files numbered 762,900.

BANKRUPTCY AND DEEDS OF ARRANGEMENT

THE Board of Trade's annual report on bankruptcy for 1963 was published on Monday[2] and shows that 3,968 receiving orders and administration orders were administered in England and Wales in 1963, a decrease of 177 compared with 1962.

The principal groups of trades and occupations affected were builders, grocery and provision retailers, farmers, road haulage contractors, hardware and electrical retailers, directors and promoters of companies, painters and decorators, clothing and drapery retailers, restaurant and snack bar proprietors, hotel keepers and publicans, motor vehicle and cycle retailers, and vegetable and fruit retailers. These twelve groups accounted for 1,785 failures.

The number of estates in which official and non-official trustees were released in 1963 totalled 2,398 as compared with 1,993 in 1962 and 1,934 in 1961. Details are given in the report of the final financial results of their administration.

The report also contains details of the result of 668 debtors' applications for discharge dealt with during the year (574 in 1962); of the 135 prosecutions concluded in respect of bankruptcy and other offences reported by the Official Receivers (143 in 1962); of the 235 deeds of arrangement registered in 1963 (315 in 1962) and of the 261 deeds of arrangement in respect of which final accounts were rendered (207 in 1962).

[1] H.M.S.O. Price 2*s* 6*d* (by post 2*s* 10*d*).

[2] *Bankruptcy General Annual Report for the year 1963.* H.M.S.O. Price 3*s* 6*d*, by post 4*s*.

A SINGULAR SITUATION

IT is illuminating to learn from a reply to a question in the House of Commons last week that the Treasury, in which solicitors and economists abound, employs only one chartered accountant. For years we have been puzzling over the obscurities of Government accounting and, in particular, that especially impenetrable brand which emanates from the Treasury, but now, and suddenly, thanks to the perennially questioning mind of Mr Emrys Hughes, M.P., the reason is blindingly revealed. In that vast recording centre of the nation's finances, where presumably everyone counts, we now know that there is only one individual trained specifically to appreciate the difference between capital and revenue, profit and loss, assets and liabilities and, to get really down to fundamentals, debit and credit. Little wonder that the country muddles on from one financial crisis to another, aimlessly riding trade cycles up and down the steep graphical slopes of booms and depressions and never along the gentle plain of ordered progress.

Economists and solicitors, to give them their due, work wonders with words when expounding unintelligible theories and drafting incomprehensible bills, but when it comes to presenting a cold, clear and critical analysis in figures, the qualified accountant is the man for the job. The profession must therefore continue to press (as has more than one Royal Commission in vain) with all the persuasive powers at its command for a greater representation of its members in the ranks of the Treasury executive.

INSURANCE ASSETS

ONE of the major results of the Radcliffe Committee on the working of the monetary system has been the enlargement and improvement in the volume and quality of financial statistics that has taken place in recent years. Among these, an analysis of insurance companies' assets in 1963, published in the *Board of Trade Journal* recently, is of special interest. In 1963 there was a net increase in the

investments of these companies of £573 million, in addition to an increase of £44 million in their short-term assets. This total increase of £617 million in 1963 compares with an increase of £561 million in the previous year.

A breakdown of the composition of the £617 million of net investment in 1963 reveals that £126 million was accounted for by public sector securities, i.e. British Government and Government guaranteed securities, including local authority bonds. Of the remaining £447 million of other investments, the net increase in company securities was £288 million, of which £119 million was in ordinary shares and £146 million in mortgages and debentures.

The data reveal the marked contrast between the investment pattern during the past year and that of 1962. Whereas in the earlier year the companies invested exceptionally heavily in Government securities, last year the net investment in public sector securities fell as compared with the previous year. Thus, whereas in 1962, 29 per cent of the total net investment was in such securities, in the latest year the corresponding figure was 23 per cent. Furthermore, while in 1962 the companies were switching out of short and medium dated Government stocks into bonds with more than fifteen years to maturity, such investment during 1963 was spread more evenly over bonds with varying maturity dates.

This is My Life . . .

by An Industrious Accountant

CHAPTER 232

I'VE recently been looking at several articles bemoaning the gradually diminishing status of the accountancy profession. They make gloomy reading. True, some of the more aggressive ones speak strongly of our services to industry and our contributions to management, but methinks they protest too much. A note of underlying anxiety is apparent.

Others admit the problem frankly. The accountant's mystique is lost; his characteristic skills are whittled down by economic analysts and tax advisers and management consultants. The annual visit of the auditors carries little of its one-time awful majesty – as small practitioners trying to justify increased fees may bear witness. Why? Looking at our own auditors trooping in to commence their task I tried to puzzle out the reason.

Times have changed, of course. When I was an articled clerk we visited our clients with (I hope) outward modesty and decorum; but our aura of lofty superiority was unmistakable. We graciously accepted the private office reserved for us, collected the journals, vouchers and bank pass-books, and set to work. We didn't toil at our chores; we scrutinized the records. 'There's a divinity doth hedge a king', said Claudius. Well, we shared it.

And why not, indeed? It tends to be forgotten, in this decade, how we accountants alone were skilled in the esoteric art of completing the annual accounts; or that few clients knew their annual results until we came. I remember long ago in this very office checking the big nominal ledger, with its leather bound corners and big brass lock . . . only the monthly totals had been inserted when we arrived. Some few prepaids and accruals had been posted in provisional pencil, but the appropriation account was devoid of figures. Then arrived the senior auditor, at once paternal and dominant, to guide the mild old chief book-keeper through the intricacies of over-provisions written back and of dividend equalization adjustments . . . then, hey presto, the accounts were completed. The year's profit was revealed. Our senior had triumphed; we basked in reflected glory.

Perhaps some of that lofty aura of ours stemmed from the almost complete lack of expertise of the office staff. Their ability and diligence were beyond reproach, but few had academic accounting knowledge, let alone qualifications. Generations of eager lads had started as unskilled clerks at high sloping desks or on stools in little glass cubicles, but few reached senior rank. They were proud of their copperplate script in their balanced ledgers, but they could go no further. Mute inglorious Miltons, with useful toil and destiny obscure . . . but we auditors were the master-minds.

(Which reminds me of that famous cartoon in an issue of *Punch* a century ago; the cavalry colonel was explaining to his inquiring subaltern the function of the cavalry in battle; it was, he said, to lend tone to what would otherwise be a vulgar brawl. Somewhat thus, we felt, was the accountant's function in industry.)

As regards taxation, our clients never claimed to fathom its mysteries. They were business men or merchant princes, not scholars. They neither saw the Schedule D assessments nor wanted to; they hired us, the experts, to cope with that jigsaw while they made money. In due course we sent the computations to the inspector and later the demand to the client, duly certified. It was paid, with reluctance, but without question . . . perhaps it wasn't very formidable at 3*s* 6*d* in the £.

In the Olympian air of financial mysteries, capital structure or dividends, our senior partner met the board of directors in solemn conclave. They looked at the profits; he looked at the balance sheet. But they looked up to him when he recommended reserves and management commission agreements, or told them how to finance their projected expansion. In his own sphere, limited though it might be, he reigned unchallenged. He was Sir Oracle, and when he spoke no dog barked.

That was a golden age. How times have changed.

VALUATION OF STOCK AND WORK IN PROGRESS

Auditors' Report to Directors of D. Sebel & Co Ltd

JUST over a year ago, the board of the City of London Real Property Co Ltd set down a motion to appoint new auditors at the company's approaching annual general meeting, alleging that when 'the all-important mutual confidence between the board of the company and its auditors no longer exists, a change is in the opinion of the board in the interests of the stockholders'. It is now history that, after a storm of protest, the motion was withdrawn.

Another and current instance where the position of the auditors is in jeopardy was featured in the 'Finance and Commerce' section of our issue of June 13th, and again in a 'Weekly Note' in our issue of July 4th. We refer to the proposal before the members of D. Sebel & Co Ltd at their adjourned annual general meeting to be held on July 21st, that the auditors, Messrs Franklin, Wild & Co, Chartered Accountants, should not continue in office. The actual motion is: 'that the retiring auditors, Messrs Franklin, Wild & Co, shall not be reappointed', but this wording does not make sense, as auditors, in the normal course of events, do not resign, and therefore do not have to be reappointed. They resign only when, for some reason, they agree to demit office and this Messrs Franklin, Wild & Co, have definitely not done. The intention of the motion, however, is clear but the important difference between this and the City of London Real Property case is that, in this instance, the motion has been proposed by a shareholder (who is himself a chartered accountant) and not by the directors. The auditors continue to enjoy the full confidence of the directors but, as everybody now knows as a result of last year's *cause célèbre*, it is the will of the shareholders which is paramount.

It is evident from the latest statement issued by Messrs Franklin, Wild & Co, which we reproduce in full below, that in this particular association the directors reciprocally have always enjoyed the confidence of the auditors. This is as it should be provided that the actions and decisions of the directors are reasonably investigated according to recognized standards of auditing practice and this Messrs Franklin, Wild & Co appear to have done. The decision of the shareholders at the adjourned annual general meeting will be watched with intense interest because the point at issue is one of extreme importance, not only to the parties concerned but to the profession as a whole.

The Directors:
D. Sebel & Co Ltd,
West Street, Erith, Kent. *July 3rd, 1964.*

Gentlemen,

At the annual general meeting of the company held on June 24th, 1964, Mr David R. Hindle, a partner in Franklin, Wild & Co, read a draft of the representations that his firm wished to make to the members of the company in reply to the proposed resolution by Mr Kennett 'that the retiring auditors, Messrs Franklin, Wild & Co, shall not be reappointed'.

It appears from questions which were subsequently asked, that more specific information on certain points should be given to the members. Accordingly, we have revised the draft as originally presented. It now states, that:

It is no part of the duties of an auditor to take stock. It is the responsibility of the directors to ensure that the stocks of a company shall be correctly taken, that these stocks should be properly valued on an appropriate basis and that such value should be included in the annual accounts. The duty of an auditor in relation to stock is that he should satisfy himself that the directors have discharged that duty. It is appreciated that, in practice, the directors usually delegate this duty to the managing director and this was in fact done in the present case.

The tests which we carried out, the explanations which we received and the records that were produced and examined by us, revealed nothing of a suspicious nature. The stocktaking procedure for the 1963 accounts was the same as in previous years.

From the audit work which we carried out year by year regarding the stocks and work in progress, we believed at the time of the audits that the directors had fulfilled their duty in this respect.

Having completed our audit work, a stock certificate was prepared which was signed by the managing director at the board meeting at which the accounts were approved prior to their submission to the members.

We have not relied only on such certificate; but have carried out normal audit tests, obtained further information and received such explanations as we considered necessary. The basis of valuation has not been varied from year to year.

As a result of the above and in the absence of any suspicious circumstances the accounts were signed by the directors on behalf of the board and by ourselves as auditors. It is now claimed that such accounts for the year 1962, and earlier years, included an overvaluation of the stock of steel and work in progress.

It follows, therefore, that if the stocks of steel and work in progress have been overvalued in previous years, the information and explanations given to us by the managing director during our audits must, in some respects, have been incorrect.

To assist you in appreciating the position we must give you some general information regarding the stocks and stock records. The stocks comprise steel, other

production materials, packing materials, work in progress, finished goods (with a few small items of travellers' stocks) and service stocks. At the end of each year the details of the stocks are entered on printed sheets specially prepared for use by the company. For each of the last three years there have been more than three hundred sheets comprising some seven thousand items.

Each of the stock sheets records by whom the quantities of stock were taken, the name of the person who checked the quantities and the name of the person who inserted the prices. It also bears stamps of the comptometer operators who checked the calculations and additions. These stock sheets do not indicate that the late managing director had taken any part in their preparation. On the face of it, it was a normal stocktaking procedure following which the managing director would sign a form of stock certificate after perusing the stock sheets. It only became apparent after the production of the 1963 stock sheets that the late managing director had in fact been concerned with the preparation of the stock sheets relating to steel in previous years.

As regards work in progress, the managing director provided the information from which the stock sheets were to be prepared after the necessary information regarding quantities had been given to him. The managing director, when discussing the matter with our audit staff, had on more than one occasion assured them that he was the only person able to price the work in progress owing to his particular knowledge of the company's products and manufacture. He further informed us that there were no 'backing sheets' or 'rough sheets' to his work in progress.

The company maintains running stock records of production materials (other than steel), of packing materials and finished goods. There is no integrated costing system, neither is there any account in the books from which it is possible to arrive at the theoretical stock of steel or work in progress to enable quantities or prices to be independently checked. A series of statements (which are not part of the accounting system) are prepared monthly by the works accountant for the purpose of arriving at theoretical costs of production and estimated stocks. There were no unreasonable discrepancies between the certified stocks and the estimated stocks up to 1962. It is impossible at this date owing to the absence of original records from which the stocks were compiled to reconstruct the stock of an earlier period. For this reason neither the directors nor the auditors can state what the true value of the stock at December 31st, 1962, should have been.

There have been large fluctuations in both the total value of stocks and the relative proportions of the different types of stock since 1947. These fluctuations were adequately explained by the managing director to the other directors and to us, and did not give rise to any suspicion. It has been considered for some years that the percentage of stock to sales has been high and in consequence detailed explanations were sought and obtained by us. In most years specific reference to these fluctuations and their explanation was made by the chairman in his statement.

Owing to the multiplicity of products and because of the variations from year to year of the quantities of each type of product made, the calculations of gross profit percentages and of material usages give no indication of any apparent overvaluation of stocks in earlier years.

In conclusion, therefore, we reiterate that it is no part of an auditor's duty himself to take stock. Having examined the stock sheets and the accounts of your company as presented to us and having received explanations from the managing director at the time of our audits in reply to our further inquiries, we are satisfied that we have discharged the duties entrusted to us by the members in accordance with the requirements of the law, the recommendations of our Institute and the normal practice of our profession.

Yours faithfully,

FRANKLIN, WILD & CO.

Finance and Commerce

Competition

THE report of E. S. & A. Robinson (Holdings), whose accounts form this week's reprint, is extremely informative with one vital exception. There is no turnover or sales figure. This, it must be admitted, is still not an unusual omission, despite the current trend towards giving this essential piece of information, but in this particular instance the omission is particularly exasperating. The group is in all aspects of packaging from multiwall paper sacks, rigid cartons, flexible vacuum packaging to film and adhesive tapes (Sellotape), and Mr John F. Robinson, the chairman, refers to competition in various spheres.

'In the home market intense competition . . . persisted and intensified with the result that profits overall did not increase in proportion to sales,' the chairman says. Of the general packaging division he says: 'the fierce competition . . . showed no signs of diminishing and was experienced with increased force in most fields'.

Of the bulk packaging division the chairman's comment is that 'paper prices continue to be affected by the reduction in duties on competing imports from the E.F.T.A. countries'. The intensity of competition is, in fact, one of the main themes of the chairman's survey.

Information

Despite that competition, group trading profits were up, which suggests that turnover must have been very considerably increased since 'profits overall did not increase in proportion to sales'.

But without a figure for turnover it is impossible

E S & A ROBINSON (HOLDINGS) LIMITED AND ITS SUBSIDIARIES

Consolidated Balance Sheet as at 29th February 1964

(The Financial Year of the Holding Company and one Subsidiary Company ended on 29th February, 1964 and of the other Subsidiary Companies on dates prior to 29th February, 1964, the earliest ending on 30th September, 1963, and the latest on 6th January, 1964)

1963 £	1963 £	CAPITAL EMPLOYED			£	£
	2,420,340	**PREFERENCE CAPITAL OF HOLDING COMPANY** (*as shewn on page 8*)*				2,420,340
12,256,474		**ORDINARY CAPITAL OF HOLDING COMPANY** (*as shewn on page 8*)*			21,448,833	
		RESERVES:				
10,336,040		REVENUE RESERVES .. .. (*See page 15, note 9(b)*)*		8,978,383		
		CAPITAL RESERVES:				
141,850		Realised Capital Profits (*See page 15, note 9(c)*)*	1,430,761			
3,790,630		Share Premium Account (*See page 15, note 9(d)*)*	—			
3,613,691		Fixed Assets Replacement .. .. (*See page 15, note 9(e)*)*	892,010			
7,546,171				2,322,771		
81,994		UNREALISED EXCHANGE DIFFERENCES .. .. .. (*See page 15, note 3*)*		76,673		
		RESERVES FOR SPECIFIC PURPOSES:				
2,066,073		Future United Kingdom Income Tax (to 5th April, 1965) ..	2,128,075			
210,000		Pensions	210,000			
1,205,624		Taxation Equalisation (*See page 15, note 7*)*	1,398,930			
3,481,697				3,737,005		
21,445,902		**TOTAL RESERVES**			15,114,832	
	33,702,376	**ORDINARY SHAREHOLDERS' FUNDS**				36,563,665
	1,361,438	**OUTSIDE SHAREHOLDERS' INTERESTS IN SUBSIDIARIES**				1,254,111
	£37,484,154	**TOTAL SHAREHOLDERS' FUNDS**				£40,238,116

1963 £	1963 £	EMPLOYMENT OF CAPITAL		£	£
	1,277,145	**GOODWILL, etc.** at cost, less amounts written off, including the excess of the cost of Shares in Subsidiary Companies over the book value of their net assets at date of acquisition			1,383,116
		FIXED ASSETS: (*see page* [48])			
9,331,964		Land and Buildings	9,911,535		
2,275,163		*Less:* Provision for Depreciation and amounts written off	2,535,529		
7,056,801				7,376,006	
21,282,292		Plant and Machinery ..	23,054,208		
9,571,822		*Less:* Provision for Depreciation and amounts written off	10,654,698		
11,710,470				12,399,510	
	18,767,271				19,775,516
	20,044,416				21,158,632
		TRADE INVESTMENTS at cost less amounts written off:			
812,314		Quoted (*Market value* £257,810)		24,058	
1,836,817		Unquoted		1,978,523	
	2,649,131				2,002,581
	202,356	**LOANS** to Trustees for advances to Employees, including Directors, to subscribe for fully paid Ordinary Shares in the Holding Company ..			102,528
		NET CURRENT ASSETS:			
		Current Assets:			
9,582,877		Stock in Trade		10,306,347	
10,040,462		Debts, Amounts Recoverable and Payments in Advance		10,463,918	
1,510,000		Tax Reserve Certificates		20,000	
1,211,351		Cash on Deposit at Short Notice		4,377,890	
1,257,326		Cash at Banks and on Hand		1,017,020	
23,602,016				26,185,175	
		Deduct:			
		Current Liabilities and Provisions:			
6,549,021		Creditors and Accrued Liabilities including Net Difference on inter-company Accounts consequent upon the Balance Sheets of all Subsidiaries except one being at dates prior to 29th February, 1964 and secured loans £85,750 ..	6,385,105		
—		Bank Loans	186,118		
614,234		Workpeople's Deposits ..	637,712		
953,193		Provision for Current Taxation	1,048,149		
34,002		Preference Dividends of the Holding Company accrued to 29th February, 1964 ..	34,097		
863,315		Second Interim Dividend on Ordinary Shares of the Holding Company payable 13th June, 1964	919,619		
9,013,765				9,210,800	
	14,588,251	**NET CURRENT ASSETS**			16,974,375
	£37,484,154	J. F. ROBINSON, *Director* T. L. ROBINSON, *Director*			£40,238,116

* Not reproduced.—Editor.

E S & A ROBINSON (HOLDINGS) LIMITED AND SUBSIDIARIES

Consolidated Profit and Loss and Appropriation Accounts for the year ended 29th February 1964

(The Financial Year of the Holding Company and one Subsidiary Company ended on 29th February, 1964 and of the other Subsidiary Companies on dates prior to 29th February, 1964, the earliest ending on 30th September, 1963, and the latest on 6th January, 1964)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

1963 £		£	£
6,292,311	**BALANCE FROM TRADING ACCOUNT** after providing for Staff Bonuses and Workpeople's Profit Sharing and Taxation abroad		6,874,491
	Deduct: **DEPRECIATION AND REPLACEMENT OF FIXED ASSETS:**		
1,408,385	Written off Buildings and Plant (*see page* [48])	1,567,584	
299,929	Transferred to Fixed Assets Replacement Reserve ..	338,938	
1,708,314			1,906,522
4,583,997			4,967,969
	Deduct: **UNITED KINGDOM TAXATION** (*see page 15, note 7*)*		
674,656	Profits Tax	695,161	
1,776,625	Income Tax	1,774,570	
2,451,281		2,469,731	
292,906	*Less:* Benefit from Investment Allowances	261,671	
2,158,375			2,208,060
2,425,622	**PROFIT FOR THE YEAR**		2,759,909
	Deduct: **INTERESTS OF OUTSIDE SHAREHOLDERS OF SUBSIDIARY COMPANIES**		
100,303			187,921
£2,325,319	**PROFIT FOR THE YEAR APPROPRIATE TO THE INTERESTS OF E S & A ROBINSON (HOLDINGS) LTD**		£2,571,988

NOTE

The Profit for the Year shewn above is arrived at after taking into account the following amounts of Income and Expenditure and Charges.

1963		1964
	INCOME:	
£109,598	From Trade Investments	£157,161
5,608	From Other Investments	16,984
144,643	From Interest and Miscellaneous Income ..	149,440
23,677	From Tax Reserve Certificates	92,481
£283,526		£416,066
	EXPENDITURE AND CHARGES:	
£28,509	Interest on Workpeople's Deposits	£28,536
	Emoluments of Directors—	
1,600	Fees	1,767
252,688	Management Remuneration (including Share of Profits and amounts to provide • Pensions)	251,857
3,000	Pensions to former Directors	3,000
605,913	Pensions and amounts to provide Pensions to Staff and Workpeople	636,057
21,377	Auditors' Fees and Expenses	25,224
£913,087		£946,441

* Not reproduced. – Editor.

APPROPRIATION ACCOUNT

1963 £	1963 £		£	£	£	£
		PROFIT FOR THE YEAR APPROPRIATE TO THE INTERESTS OF E S & A ROBINSON (HOLDINGS) LTD per previous page:				
2,021,694		Dealt with in accounts of Holding Company			2,194,087	
303,625		Dealt with in accounts of Subsidiaries ..			377,901	
2,325,319					2,571,988	
—		*Add:* **CAPITAL PROFIT** realised during year			1,288,911	
	2,325,319					3,860,899
		Deduct: **DIVIDENDS—HOLDING COMPANY:** On PREFERENCE SHARES to 29th February, 1964:				
56,891		6% Cumulative Preference Shares		56,891		
40,000		4% Cumulative Preference Shares		40,000		
17,215		10% Non-Cumulative Preference Shares		17,215		
24,000		8% Non-Cumulative Preference (Workers') Shares		24,000		
138,106				138,106		
48,438		*Less: Income Tax		47,714		
89,668					90,392	
		*Some dividends on Workers' Shares are paid Gross by arrangement with the Inland Revenue.				
		On ORDINARY SHARES:				
735,388		Interim 7% on 12,256,476 shares paid 9th November, 1963	857,953			
284,992		*Less:* Income Tax at 7s. 9d.	332,486			
450,396				525,467		
1,409,494		Second Interim 7% on 21,448,833 shares payable 13th June, 1964	1,501,418			
546,179		*Less:* Income Tax at 7s. 9d.	581,799			
863,315				919,619		
1,313,711					1,445,086	
1,403,379		**TOTAL DIVIDENDS—HOLDING COMPANY**			1,535,478	
		AMOUNTS ALLOCATED TO RESERVES: REVENUE RESERVES				
615,000		Holding Company		655,000		
303,625		Subsidiaries		377,901		
918,625				1,032,901		
		CAPITAL RESERVES				
—		Holding Company		1,288,911		
918,625					2,321,812	
	2,322,004					3,857,290
	3,315	Increase in unappropriated profit of Holding Company				3,609
	212,574	**BROUGHT FORWARD** from last year in accounts of Holding Company				215,889
	£215,889	**UNAPPROPRIATED PROFIT CARRIED FORWARD** to next year in accounts of Holding Company				£219,498

to appreciate the full extent of the pressure that competition put on profit margins nor, moreover, the success that the group achieved in increasing turnover under those competitive conditions. It could be that turnover is kept secret because of the competition factor, but with fourteen different spheres of production indicated in the 'Group Organization Chart' which accompanies the report, quite apart from the engineering and services and raw materials conversion organization, a group figure for turnover would hardly give away trade secrets on individual product margins.

'The Group Organization Chart', incidentally, is a most informative affair showing group organization with a colour key from which the products of the various subsidiaries can be traced. With all the information provided, the absence of a turnover figure is all the more annoying.

Remnants of Reserve

THE accounts of Baker Perkins Holdings are noteworthy for the final disappearance of the remnants of the reserve for increased cost of the replacement of fixed assets, set up originally in 1949. Since then, part of the reserve has been capitalized in scrip issues and the balance of £812,003, the directors admit, 'does not now have any real significance and it appears that this practice has not been generally accepted by the accountancy profession'.

Baker Perkins' American company eliminated this reserve from its accounts in 1960 'to conform to generally acceptable accounting principles in the United States'. The need for the reserve, the chairman admits, has been met by the retention in the business over the years of a substantial part of the profit 'and the directors feel that it is better for the company to fall in line with current practice'.

The reserve has been re-transferred to the profit and loss account and included in the total undistributed profit of £4,200,357 carried forward at December 31st, 1963.

Handy Label

OF group profits of £884,000 against £624,000, engineering provided £512,000 against £271,000, chemicals and plastics £158,000 against £157,000, building and constructional engineering £91,000 against £100,000 and transport and general £123,000 against £96,000. Those figures come, surprisingly, from the 1963 report of The Dental Manufacturing Company which in the past fifteen years or so has got its teeth into many businesses well outside the dental industry. There are now two dozen subsidiaries and the dental part of the group is largely in the chemicals and plastics division and to an extent in engineering.

The group balance sheet now totals over £7 million but the company clings to its title of The Dental Manufacturing Company. Group turnover is in the £10 million region and it is well that the company decided to branch out because the annual value of dental goods sold in the United Kingdom by the dental industry all told is something under £7 million, with competition extremely tough.

Diversification, as Mr Frank Hawtin, the chairman, comments, has invited the description 'Industrial Holding Company' but he draws the difference between the accepted image of such a company whose concern is primarily investment with Dental Manufacturing's 'practical management of selected types of manufacture and services'. 'It is not a matter of any great moment', he admits, but he considers the comparison worth making because 'a handy label can sometimes be rather misleading'.

E S & A ROBINSON (HOLDINGS) LIMITED

Fixed Assets

(As shewn in Consolidated Balance Sheet on page (46))

CAPITAL EXPENDITURE	Land and Buildings	Plant and Machinery	TOTAL
	£	£	£
At Cost as at 1st March, 1963	9,331,964	21,282,292	30,614,256
Add for Subsidiaries acquired during year	22,790	185,927	208,717
	9,354,754	21,468,219	30,822,973
Deduct: Items sold or scrapped during year	27,152	412,404	439,556
	9,327,602	21,055,815	30,383,417
Add: Expenditure during year (*see page 15, note 8*)*	583,933	1,998,393	2,582,326
As at 29th February, 1964	9,911,535	23,054,208	32,965,743
AGGREGATE DEPRECIATION WRITTEN OFF			
As at 1st March, 1963	2,275,163	9,571,822	11,846,985
Add for Subsidiaries acquired during year	10,912	144,986	155,898
	2,286,075	9,716,808	12,002,883
Deduct: For Items sold or scrapped during year	8,083	372,157	380,240
	2,277,992	9,344,651	11,622,643
Depreciation written off for year	257,537	1,310,047	1,567,584
As at 29th February, 1964	2,535,529	10,654,698	13,190,227
NET BOOK VALUE as at 29th February, 1964	7,376,006	12,399,510	19,775,516

* Not reproduced.—Editor.

CITY NOTES

WITH prices at a peak for the year, the equity markets continue to show restrained optimism. Small buying on a market technically disposed to go better is the main reason, although institutional nibbling at selected equities is also a feature.

The Chancellor of the Exchequer's view that the growth rate of the economy is slackening is a 'bull' rather than a 'bear' point in most investment calculations since, presumably, it lessens the possibility of a reintroduction of curbs and restrictions at a later date.

Mr Maudling has spoken of certain built-in corrective tendencies making themselves felt and among those is a certain exhaustion of demand. In the motor industry, always a reliable economic barometer, the impression is given of a levelling off in home demand and also of some easing of the calls made by the industry on the motor component suppliers.

The fear of economic checks after the General Election, regardless of who wins, is one of the reasons for the tendency of some institutional investors – investment trusts in particular – to keep away from low-yield growth equities for the time being on the grounds that such shares will be the first to suffer under credit curb conditions.

But if the economy's built-in correctives do their job, a severe economic check may not be necessary. It is on that basis that some institutions are coming back into the market.

* * * *

WITH drilling for oil under the North Sea currently all the rage, it is as well to appreciate that oil production in England is itself at no mean level. In 1963 United Kingdom oil production totalled 122,765 tons, most of it in the Notts and Lincs field. At Gainsborough, Lincs, the British Petroleum Company has completed six wells in a directional drilling programme.

This drilling technique was decided on when it was clear that the main oil accumulation was beneath the centre of the Gainsborough urban district where direct drilling would be disturbing to the neighbourhood. Since the Gainsborough field was discovered in 1959, forty-five wells have been drilled and the field produced 26,432 tons of oil last year.

* * * *

EVER since the 1958–59 experience of heavy bad debts, the hire-purchase finance industry has been viewed a shade suspiciously by investors. The major companies which then bore the brunt of the bad debts have recovered strongly and profit and dividend reductions are being made good.

But conditions in the industry remain acutely competitive and the new hire-purchase laws which are expected to operate from the beginning of next year may have considerable effect.

Mr Vivian Cowan, chairman of Theo Garvin Ltd, has expressed the opinion that car hire-purchase finance 'will no longer be practicable for the independent finance house, unless it controls its own garages or has some other reciprocal arrangement'.

* * * *

DESPITE the reassurance of the Association of Unit Trust Managers, there is still a deal of criticism of certain trends and tendencies within the unit trust movement. Those who criticize some present developments are concerned with an apparent concentration on name rather than portfolio and management. Geographical unit trusts in which geography seems to be stretched to the limit, and other trusts in which the portfolio only seems to have the loosest of connections with the title, are coming under critical fire.

RATES AND PRICES

Closing prices, Wednesday, July 8th, 1964

Tax Reserve Certificates: interest rate 28.3.64 2¾%

Bank Rate

July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%

Treasury Bills

May 1	£4 5*s* 11·91*d*%	June 5	£4 8*s* 6·92*d*%
May 8	£4 5*s* 11·47*d*%	June 12	£4 8*s* 8·49*d*%
May 15	£4 7*s* 3·60*d*%	June 19	£4 8*s* 9·84*d*%
May 22	£4 7*s* 8·75*d*%	June 26	£4 9*s* 3·39*d*%
May 29	£4 7*s* 6·17*d*%	July 3	£4 9*s* 4·72*d*%

Money Rates

Day to day	3⅜–4⅜%	*Bank Bills*	
7 days	3¼–4¼%	2 months	4⅝–4 11/16%
Fine Trade Bills		3 months	4⅝–4 11/16%
3 months	5¾–6¼%	4 months	4⅝–4 11/16%
4 months	5¾–6¼%	6 months	4⅝–4¾%
6 months	6–7%		

Foreign Exchanges

New York	2·79 3/16	Frankfurt	11·09½
Montreal	3·01 31/32	Milan	1744½
Amsterdam	10·10 11/16	Oslo	19·97½
Brussels	139·05½	Paris	13·68
Copenhagen	19·28¾	Zürich	12·05¼

Gilt-edged

Consols 4%	64 1/16	Funding 3% 59–69	90¼
Consols 2½%	41 11/16	Savings 3% 60–70	88⅛
Conversion 6% 1972	105 9/16	Savings 3% 65–75	79⅜
Conv'sion 5¼% 1974	97 15/16	Savings 2½% 64–67	92 15/16
Conversion 5% 1971	97⅛	Treas'ry 5½% 2008–12	91 15/16
Conversion 3½% 1969	92 1/16	Treasury 5% 86–89	87 15/16
Conversion 3½%	57⅜	Treasury 3½% 77–80	76 7/16
Funding 5½% 82–84	95 5/16	Treasury 3½% 79–81	76 13/16
Funding 4% 60–90	93 11/16	Treasury 2½%	41 11/16
Funding 3½% 99–04	64	Victory 4%	97 15/16
Funding 3% 66–68	91 3/16	War Loan 3½%	57

Current Law

Bankruptcy: Arrears of Maintenance not Provable

A MAINTENANCE order was made against a husband, and the payments under it fell into arrear. The collecting officer on behalf of the wife complained to the justices, but before the complaint could be heard the husband was adjudicated bankrupt on his own petition. At the hearing of the complaint the husband contended that the arrears could not be the subject of proceedings against him except with the leave of the Bankruptcy Court. The justices were of opinion that the husband's default was due to his 'wilful refusal or culpable neglect' within the meaning of section 74 (6) of the Magistrates' Court Act, 1952 (as substituted by section 16 (1) of the Maintenance Orders Act, 1958), and made a suspended committal order against him. The husband appealed.

In *James v. James* ([1963] 2 All E.R. 465) the Divisional Court of the Probate, Divorce and Admiralty Division (Sir Jocelyn Simon, P., and Wrangham, J.) held that as arrears of maintenance are completely under the control of the Court, and it is entirely at the discretion of the Court how far such arrears shall be enforced, such arrears constitute a debt or liability which 'is incapable of being fairly estimated' within the meaning of section 30 (6) of the Bankruptcy Act, 1914, and therefore did not constitute a debt provable in bankruptcy, with the result that the wife had not lost her right to a remedy without the leave of the Bankruptcy Court, and the justices were entitled in their discretion to make the order which they had made.

Collecting Bank as Holder in Due Course

A BANK allowed a customer to draw on his current account against uncleared cheques which had been credited to his account. In pursuance of this arrangement the bank received from the customer two cheques drawn by H. Ltd, which were returned to the bank marked 'Payment countermanded by order of drawer', without having been paid. The bank sued H. Ltd, as drawer of the cheques. The bank alleged that it was a holder in due course, and this was denied by H. Ltd, the argument being that the bank was not within the definition of 'holder' in section 2 of the Bills of Exchange Act, 1882 (and therefore could not be a holder in due course), because 'holder' meant the payee or indorsee of a bill or note who was in possession of it, or the bearer thereof, and the bank was neither the payee of the cheques nor the indorsee, the cheques not being endorsed.

In *Midland Bank Ltd v. R. V. Harris Ltd* ([1963] 2 All E.R. 685), however, Megaw, J., held that the bank was a holder, and a holder in due course, of the cheques because since the Cheques Act, 1957, the word 'indorsee' in section 2 of the Bills of Exchange Act was not limited to a person who had received a cheque with a signature actually written on the back but included one who had the rights which would have been given to that person by virtue of an indorsement having been written on the back. His lordship said that even if that was wrong he would still hold that the bank was holder of the cheques within the definition of section 2 of the Bills of Exchange Act. He pointed out that that definition included not only an indorsee but also a bearer, 'bearer' being defined as the person in possession of a bill or note which is payable to bearer. Section 8 (3) of that Act provides that a bill is payable to bearer if the only or last indorsement on it is an indorsement in blank, and section 2 of the Cheques Act gives to a banker the same rights as he would have had if, on delivery, the holder had indorsed in blank. Hence in the present case the bank was a bearer for the purposes of the definition of 'holder' in section 2 of the Act of 1882.

Retention of Benefit of Execution

A JUDGMENT creditor obtained a garnishee order *nisi* on the bank balance of the debtor, a company, and fourteen days later the order was made absolute. Eight days later the bank paid the amount of the debt to the creditor pursuant to the order. Five days later the company went into a creditors' voluntary winding-up. In *Re Rainbow Tours Ltd* ([1963] 2 All E.R. 820) the liquidator applied for a declaration that the creditor was not entitled to retain the sum attached, relying on section 325 (1) of the Companies Act, 1948, which provides that a creditor shall not, without the sanction of the Court, retain the benefit of an execution or attachment against the liquidator in a winding-up.

Buckley, J., however, accepted the contention of the creditor, that section 325 did not relate to any fruits of the execution in the sense of satisfaction or partial satisfaction of the debt which the creditor might succeed in gathering before being restrained by the Court from doing so. His lordship held that the words 'the benefit of the execution' must not be interpreted as 'the benefits of the execution' or 'any benefit of the execution'. The words had been given a clear and restricted meaning, confined to the charge on the company's property occasioned by the execution so far as that charge was for the time being operative. To the extent to which the creditor succeeded in obtaining satisfaction of his debt without coming into collision with the liquidator, that charge was destroyed and *pro tanto* the benefit of the execution within the meaning of the section ceased to exist.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Costing of Government Contracts

SIR, – Your issue of June 20th contained two letters relating to my article on 'The Costing of Government Defence Contracts' published in the issue of May 30th. A number of points were raised regarding the Ferranti contract to which I should like to reply.

Firstly, criticism seems to have been directed against my acceptance of the actual cost statement of the Ferranti contract. Unfortunately, until the publication of the Lang Report, the figures which I quoted represented the only cost information available on this contract. It must, however, be emphasized that these figures have been accepted by the Public Accounts Committee, the Minister of Aviation and Mr S. Z. de Ferranti.

Secondly, Mr McGlashan's point about actual overheads being unknown is most interesting. He does, however, weaken his argument by maintaining that neither Ferranti nor anyone else has knowledge of actual overheads, and then he goes on to suggest that the figure nearest to reality is £6,630,000! Moreover, I am not quite sure whether Mr McGlashan really understands my description of the price-fixing process. On page 686, in my article, I stated that, 'The overhead recovery rate . . . is *multiplied* by estimated direct labour costs in order to determine total production overhead costs.' Presumably, if the contractor agrees to a certain overhead recovery *rate* – a rate based on previous financial records – he must be reasonably confident of recovering his fixed costs incurred on that contract. According to Mr McGlashan's arithmetic example, with direct labour costs of £574,000 and overheads of £6,630,000 Ferranti would have an overhead recovery rate of some 1,155 per cent, despite the fact that the firm had agreed to accept a rate of 558 per cent.

Finally, the question is posed: Why all the hue and cry over the Ferranti contract? On Mr McGlashan's own statement about the uncertainty of actual overheads, together with Mr Ferranti's acceptance of the figures, there is no reason to reject the actual cost statement for the contract. If this is so, some of the points at issue are: How did Ferranti succeed in halving its direct labour costs? Why didn't the Ministry's technical costs officers and accountants compare their figures for direct labour costs? Why wasn't a fixed price negotiated at an earlier stage in the production process? And, finally, should up-to-date information on costs be shared between the parties to the contract up to the time when prices are fixed?

Yours faithfully,

University of Hull. K. HARTLEY.

The Science of Price-fixing

SIR, – May I reply briefly to the letters in your issues of June 6th and 20th, signed by Mr P. L. Griffiths and Mr D. R. C. Halford, relating to my article?

The first paragraph of Mr Griffiths's letter displays a confusion of cause and effect; his marginal analysis by the calculus of finite differences adds little if anything of practical value to my arguments; and his last paragraph is complete nonsense.

I would say to Mr Halford that I am not an academic economist. I am a practical man who has found some ideas conceived by economists of great practical value, and others quite useless. Is optimum pricing practicable? he asks. Well, yes, of course. I have used it in practice myself, and I see no reason why others should not do the same. I made it clear in my article that in some instances the problem of what is the optimum price cannot be solved; but also that it is worth a great deal of trouble and expense to try to find a solution. I suppose one could describe the problem as one belonging to operational research. Operational research has been defined as an agglomeration of methods in search of a problem. With me, the problem came first.

Yours faithfully,

Bushey Heath, Herts. E. J. BROSTER.

SIR, – May I refer to Mr D. R. C. Halford's letter published in *The Accountant* of June 20th in which he says 'We cannot, after all, fix prices at two different levels and see what happens.'

On the contrary, this is what is done if a sales force wishes to find the 'right' price for a new product. The product is sold at different prices in isolated towns, such as Durham and Ludlow, and the results of the sales campaigns are compared.

I do not wish to elaborate on this method of price-fixing because it is specialist work, but the simplicity of the 'Durham Experiment' as it is called, may appeal to some of your readers.

Yours faithfully,

J. W. L. NICHOLS.

Witney, Oxon.

Schedule E Expenses and Benefits-in-kind

SIR, – There are two points I would like to raise on Part I of the paper 'Schedule E expenses and benefits-in-kind', by Mr Eric C. Meade, F.C.A., in last week's issue.

Mr Meade deals with the question of luncheon vouchers, *inter alia*, and states that in his opinion they are taxable and comparable with a postal order as a payment of money. A postal order may be encashed for hard cash at a post office. However, a luncheon voucher cannot be encashed by the recipient employee for hard cash anywhere. Indeed, if an employee tenders a 3*s* 6*d* luncheon voucher for a

meal costing only 2s 6d, the unused amount of 1s is not reimbursed to him by the establishment where he tenders the voucher, but will in due course be claimed by that establishment from the voucher company!

I therefore submit that luncheon vouchers cannot be considered as 'convertible into money' in any sense, and are well within the conclusions laid down in the case of *Tennant v. Smith* which Mr Meade earlier quotes.

My second point concerns Mr Meade's statement that 'representative occupation' is open to directors and employees although they may be earning £2,000 per annum or more.

On referring to *Spicer and Pegler*, twenty-fifth edition, page 123, which deals with the question of living accommodation exceptions, the last paragraph is as follows:

> 'The exemption of living accommodation does not apply to an employee who is also a director of the concern or any subsidiary or controlling concern, or any concern under the same control, except that in practice the exemption is allowed to a full-time director whose beneficial shareholding does not exceed 5 per cent of the ordinary share capital unless his emoluments (including taxable benefits) exceed £2,000.'

It would appear from this quite definite wording that 'representative occupation' is not open to directors and employees if they are in receipt of emoluments of £2,000 per annum or over.

Yours faithfully,

London W2. R. W. HORWOOD.

Mr Meade writes: My contention is that a voucher is a form of cash, and that therefore the question of convertibility into cash does not arise. In *Laidlaw v. Perry* (1963, T.R. 465), the Special Commissioners held that a voucher for £10 spendable at a shop represented money's worth at its face value, and Counsel for the taxpayer did not contest this part of the decision either before the High Court or before the Court of Appeal.

With regard to the question of representative occupation, I agree that the quotation from *Spicer & Pegler* correctly sets out the position with regard to directors and employees who are also directors.

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Coats's Trustees *v.* Lord Advocate

In the Court of Session – June 2nd, 1964

(Before LORD JUSTICE CLERK (Lord GRANT), Lord MACKINTOSH, Lord STRACHAN and Lord WHEATLEY)

Estate duty – Marriage settlement – Husband entitled to alimentary liferent – On dissolution of marriage to wife for life – On husband's death leaving issue and wife remarrying half of income to her – Issue of the marriage – Divorce decree against husband – Remarriage of wife – Death of husband – Death of Wife – Survived by children – Whether other half of income passed on first husband's death – Finance Act, 1894, section 1.

In 1920 there was an antenuptial marriage settlement by the deceased on his future wife, under which the husband was to be entitled to an alimentary liferent of the settled fund. If the marriage was dissolved by the death of the husband, the whole annual income was to be paid to the wife for life. If there was issue of the marriage, and the wife married again, she was to have half the income for life, and the other half was to be applied to the maintenance and education of the children. There were three children of the marriage. In 1931 a decree of divorce was obtained against the husband, and in the following year the wife remarried. Her first husband, the deceased, died in 1958, and she died in the following year.

It was common ground that, when she divorced the deceased the wife became entitled, until her remarriage, to a liferent of the whole of the settled income by virtue of the rule of Scots law whereby, as stated in *Lord Stair's Institutes* (Vol. 1, Chap. iv, page 20):

> Marriage dissolved by divorce either upon wilful non-adherence or adultery, . . . the party injured hath the same benefit as by the other's natural death.

It was also undisputed that on her remarriage the wife remained entitled to half the income of the settled fund.

It was contended for the appellants that, when the wife remarried and became entitled to half the income, the children of the marriage became entitled to the other half; and that thus there was no passing of that half on the death of the deceased. It was contended on behalf of the respondent that the half-income in question passed to the deceased on the remarriage of his former wife, and passed therefore, on his death, so that estate duty was attracted on the occurrence of that event.

Held: the rule stated in *Lord Stair's Institutes* operated only as between the parties to the marriage, and did not operate for the benefit of the children; therefore on the wife's remarriage half the income reverted to the deceased; and it passed on his death for estate duty purposes.

Regent Oil Company Limited *v.* Strick

In the Court of Appeal – June 8th, 1964

(Before THE MASTER OF THE ROLLS (Lord DENNING), Lord Justice DANCKWERTS and Lord Justice DIPLOCK)

Income tax – Profits tax – Deduction – Oil importing and merchanting – Exclusivity transaction – Filling station leased at nominal rent – Premium paid – Filling station sublet back to owner – Exclusive sale of oil – Whether premiums deductible – Income Tax Act, 1952, section 137 (f).

The appellant, carrying on a business of importing oil and selling it to filling stations, which resell to the public, formulated an exclusivity policy known as the Regent Solus Dealer Plan, pursuant to which arrangements were made with the owners of filling stations for them to sell the oil supplied by Regent. Regent paid the owner a lump sum calculated by reference to the estimated gallonage of oil, which would be supplied by Regent to the owner over the specified period, and the owner undertook to buy all his oil from Regent. In 1956 Regent oil was sold at 4,886 filling stations, of which 4,483 were tied by exclusivity arrangements, but twelve by an arrangement of a special type.

The transactions involved in this new type of arrangement consisted of the filling station owner leasing the station to Regent for a number of years at a nominal rent and in consideration of a premium, and of Regent subletting the station back to the owner for the same number of years less three days at a nominal rent, and of the owner entering into a covenant to purchase Regent oil only. The premium was calculated by reference to the estimated gallonage to be supplied by Regent to the owner for the duration of the letting, but Regent would make additional payments if the estimate was exceeded. The owner undertook not to assign his tenancy except to a person undertaking to enter into a similar transaction. The periods of subletting ranged from five years to twenty-one years, and the premiums varied from about £2,000 to £183,000. In the case of one filling station a lump sum was expressed to be payable in consideration of the owner, then engaged in the building of a number of stations, undertaking to erect those stations and to grant leases on scheduled terms.

It was contended by the respondent that the premiums were payments for the acquisition of interests in land; that Regent was not a dealer in land; and that the premiums were paid for capital assets. For Regent it was contended that the premiums were properly chargeable to revenue account. The Special Commissioners decided in favour of Regent.

Held (affirming the judgment of Mr Justice Pennycuick): the premiums were the prices paid by Regent for interests in land, coupled with the tenants' covenants under the subleases, and were capital payments, and were therefore not deductible for tax purposes.

Varty *v.* British South Africa Company

In the Court of Appeal

April 28th, 1964, and June 17th, 1964

(Before THE MASTER OF THE ROLLS (Lord DENNING), Lord Justice DANCKWERTS and Lord Justice DIPLOCK)

Income tax – Loan to company – Option to subscribe for shares – Allotment accordingly – Surplus of market value over option value – Whether taxable receipt – Income Tax Act, 1952, section 123 (Schedule D).

In 1952 Anglo-American Corporation Ltd agreed to provide President Steyn Gold Mining Co Ltd with loan facilities up to £4 million and interest was payable by the borrower on amounts drawn. Not less than £2 million of the loan was to be repaid by the end of 1957, and the balance by the end of 1962. As consideration for these facilities Anglo-American was to have a raising fee, and an option, exercisable before June 30th, 1955, to subscribe for two million shares in the President Steyn company at a price of 20*s* a share. To the extent to which Anglo-American exercised this option and subscribed for the shares, the loan facilities were to be reduced. At any time after June 30th, 1955, Anglo-American could call on the President Steyn company to issue unsecured notes for the outstanding amount of the loan and to apply for quotations on the London and Johannesburg Stock Exchanges.

In the same year, 1952, Anglo-American granted to the respondent company a 5 per cent participation in these arrangements, and thus the respondent company committed itself to provide the President Steyn company with loan facilities up to £200,000 and also received an option to subscribe for 100,000 shares in that company at 20*s* a share. In 1954 the respondent exercised its option and was allotted the 100,000 shares in the President Steyn company. These shares were then worth 43*s* 6*d* each, so that the respondent obtained a book profit of £117,500.

It was contended by the appellant (i) that the acquisition and exercise of the option was a dealing in the option in the course of the respondent's trade, and that the £117,500 was a profit from that dealing, (ii) alternatively, on the exercise of the option one item of the respondent's trading stock, the loan of £100,000 owing by the President Steyn company, was converted into or exchanged for shares in that company, and this conversion or exchange was a realization of the loan and gave rise to a taxable profit of £117,500. The Special Commissioners decided in favour of the respondent.

Held (Lord Justice Danckwerts dissenting) (reversing the judgment in the High Court): (i) the option was a part of the trading stock of the company, (ii) that asset was disposed of for a new asset, the shares, (iii) the transaction was a transaction of trade, and gave rise to a profit of £117,500.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, July 1st, 1964, at the Hall of the Institute, Moorgate Place, London EC2, there were present:

Mr W. Guy Densem, President, in the Chair; Mr Robert McNeil, Vice-President; Messrs J. Ainsworth, C.B.E., J. F. Allan, G. R. Appleyard, W. L. Barrows, T. A. Hamilton Baynes, C. J. M. Bennett, Sir Henry Benson, C.B.E., Mr P. F. Carpenter, Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, C. Croxton-Smith, E. Hay Davison, S. Dixon, W. W. Fea, Sir Harold Gillett, Bt, M.C., Messrs J. Godfrey, G. G. G. Goult, P. F. Granger, L. C. Hawkins, C.B.E., J. S. Heaton, J. A. Jackson, H. O. Johnson, R. O. A. Keel, R. G. Leach, C.B.E., E. N. Macdonald, D.F.C., J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., S. J. Pears, F. E. Price, Sir Thomas Robson, M.B.E., Messrs J. D. Russell, R. G. Slack, D. Steele, A. G. Thomas, A. H. Walton, R. Walton, F. J. Weeks, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., T.D., E. K. Wright, Sir Richard Yeabsley, C.B.E.

Finance Bill, 1964

The Council received a report on a discussion at Somerset House on May 29th, 1964, between representatives of the Board of Inland Revenue and representatives of the Institute (Mr E. N. Macdonald, D.F.C., F.C.A., Mr J. E. Talbot, F.C.A., and Mr L. H. Clark, F.C.A.) in connection with the memorandum on the Finance Bill submitted on May 8th, 1964, to the Chancellor of the Exchequer on behalf of the Council.

Professional Classes Aid Council

The Council has reappointed Mr J. A. Allen, F.C.A., as the Institute's representative on the Professional Classes Aid Council for a further period of three years.

London Chamber of Commerce

The Council has nominated Mr Percy F. Carpenter, F.C.A., as an honorary auditor of the London Chamber of Commerce in place of Mr J. D. Russell, M.A., F.C.A., who has served in that capacity for the maximum period of three consecutive years.

Consultative Committee of Members in Commerce and Industry

The Council approved the co-option of Mr D. M. Clement, F.C.A., and Mr A. P. Ravenhill, F.C.A., to membership of the committee.

The Council received a report that at its meeting on June 11th, 1964, the Technical Advisory Committee had appointed Mr J. Cartner, F.C.A., and Mr H. C. Shaw, F.C.A., as its nominees on the Consultative Committee of Members in Commerce and Industry for the ensuing year.

Chairmen and Vice-Chairmen of Committees

It was reported that the following chairmen and vice-chairmen of Committees had been appointed for the ensuing year:

Applications

Chairman, Mr R. B. Leech; Vice-Chairman, Mr G. T. E. Chamberlain.

Articled Clerks

Chairman, Mr T. A. Hamilton Baynes; Vice-Chairman, Mr R. G. Slack.

Courses

Chairman, Mr J. H. Mann; Vice-Chairman, Mr C. J. M. Bennett.

Disciplinary

Chairman, Sir Harold Gillett; Vice-Chairman, Mr T. A. Hamilton Baynes.

District Societies

Chairman, Mr J. C. Montgomery Williams; Vice-Chairman, Mr D. Steele.

Education

Chairman, Mr W. B. Nelson; Vice-Chairman, Mr E. Hay Davison.

Finance

Chairman, Sir Harold Gillett; Vice-Chairman, Mr J. D. Russell.

General Purposes

Chairman, Mr P. F. Carpenter; Vice-Chairman, Mr P. F. Granger.

Investigation

Chairman, Mr S. J. Pears; Vice-Chairman, Mr C. Croxton-Smith.

Library

Chairman, Mr J. H. Bell; Vice-Chairman, Mr G. G. G. Goult.

Overseas Relations

Chairman, Sir Thomas Robson; Vice-Chairman, Mr S. J. Pears.

Parliamentary and Law

Chairman, Mr W. E. Parker; Vice-Chairman, Mr R. G. Leach.

Public Relations

Chairman, Mr E. K. Wright; Vice-Chairman, Mr E. F. G. Whinney.

Registration of Articles

The Secretary reported the registration of 183 articles of clerkship during May, the total number since January 1st, 1964, being 1,219.

Admission to Membership

The following was admitted to membership of the Institute:

Khan, Muhammad Aslam, A.C.A., *a*1964; c/o E.W.P. Associates Ltd, Mercantile Court, Quaid-e-Azam Road, Chittagong, East Pakistan.

Fellowship

The Council acceded to applications from six associates to become fellows under clause 6 of the supplemental Royal Charter.

effective when operated in conjunction with long-term forecasts and short-term budgets. Long-term forecasts, usually covering the next three years for a medium-sized business, will be required as it is the profitability of a company over a long period which in the absence of a better yardstick is rightly taken by the business world to represent success. The shorter-term budget usually covering a period of twelve months suitably revised where necessary during the period is usually only effective to enable profitable results to be achieved for the period in question.

36. These budgets will be drawn up along widely differing ways according to the type of business and internal organization of the company, and the peculiar whims of individuals working in that company. It is often salutary at this stage to re-examine any organization chart which may be in existence so that responsibilities can be clarified for budget purposes. Naturally in the medium-size business there will be less need for the detail required by the larger organization, but sufficiently detailed information covering all operations and expenditure must be properly drawn up in such a way as to reflect and reveal the cause and effect in the making of profit or losses during the year. Also, matters which can be controlled within the business should be distinguished from external matters over which the company has little or no control.

37. Managers must be responsible for the details included in their budgets which must be agreed with them after considerable thought and discussion on the targets which they have to achieve. In practice this does not prove to be so easy as budgets used for increasing the efficiency of a business also means increasing individual efficiencies. It requires little imagination to realize how unpopular the accountant can be if the subsequent recording of actual results shows inefficiencies on the part of individual managers. It is for this reason that management must co-operate in the preparation of budgets – no matter how difficult it may prove for the accountant to obtain the necessary information. Any attempt on his part to prepare the budgets himself will almost certainly label them as an accounting document – especially convenient when targets inevitably are not met later on.

38. The board must now decide on the amount of profit which should be earned in order to continue the expansion or consolidation of the business, having regard to the long-term forecasts previously prepared, past experience and the necessity to earn a return on capital employed not less than could be obtained under similar risk conditions elsewhere.

39. A detailed list showing the planning and control information that a medium-size business will find useful is given in an Appendix (see page 74) – I propose now to deal briefly with some of the more important aspects which usually arise in compiling this information and then consider requests from management for information of a more specific character required at irregular intervals.

(To be continued.)

Weekly Notes

TRUSTEES SHOULD HAVE CONSULTED TAX COUNSEL

THE House of Lords last week dismissed the taxpayer's surtax appeal in *De Vigier v. C.I.R.* The Crown had assessed him to surtax on £12,174, being the grossed-up equivalent of a sum of £7,000 which his wife had advanced to the trustees of a settlement made for the benefit of her children, and which the trustees had repaid to her. As the settlement income was being accumulated, the Crown claimed tax on the grossed-up equivalent under the notorious section 408 of the Income Tax Act, 1952.

Giving the first judgment, Lord Reid said there was no suggestion that either Mr De Vigier or his wife was trying to evade tax. The transaction which had attracted tax was one which would never suggest that possibility to anyone unless he was familiar with income tax law. One could only say that it was very unwise for a trustee unfamiliar with income tax law to depart from the beaten paths of trustee administration in any case where the settlement provides for accumulation, without first obtaining the opinion of counsel experienced in income tax matters. There was no escape from the conclusion that the appeal must fail.

Lord Evershed, concurring, repeated (according to *The Financial Times* of July 7th), the observation made in the Court of Appeal that 'the pit dug by section 408 of the act had been wide enough to catch the unwary innocent'.

'HOUSEKEEPER ALLOWANCE'

THE personal allowance granted by section 214 of the Income Tax Act, 1952, to a widower or widow is usually known as 'housekeeper allowance' although it applies equally whether the person employed acts as housekeeper, or has the charge and care of any child of the claimant. As regards the latter type of claim, some obscurities in this badly drawn section have now been cleared up by the High Court. It is clear that if a female relative is employed, then a condition of the allowance is that the relative must be resident with the claimant. It is now established that where no female relative is available and some other

APPENDIX

ACCOUNTING INFORMATION FOR PLANNING AND CONTROL – CALENDAR YEAR

INFORMATION	*AVAILABLE*	*PERIOD*	*CIRCULATION*	*DETAILS*
		CONTROL		
OPERATING STATEMENTS AND REPORTS	Monthly	Month and current year to date. Comparison with previous month and year	Directors General Manager Senior Managers	Sales with sales analysis showing profitability of profits. Gross manufacturing profit. Administrative selling and development expenses. Interest, taxation, provisions. Net profit. Operating statement shows actual and variances from budget. Report of significant variances and trends.
SALES REPORT	Monthly	Month and current year to date. Comparison with previous month and year	General Manager Sales Manager	Sales: quantity and value comparison with budget for each product.
EXPENSE REPORTS: DEPARTMENTAL AND GENERAL WORKS	Monthly	Month and year to date	General Manager Works Manager Departmental Managers	Comparison of departmental actual expenses with allowed budget.
SALES	Monthly	Month and year to date	General Manager Sales Manager	Comparison of actual with allowed budget.
ADMINISTRATION	Monthly	Month and year to date	General Manager Chief Accountant	Comparison of actual with allowed budget.
RESEARCH AND DEVELOPMENT	Monthly	Month and year to date	General Manager Technical Manager	Comparison of actual with allowed budget.
DEPARTMENTAL OPERATING STATEMENTS	Monthly	Month and year to date	Works Manager Departmental Managers	Production hours at standard cost and comparison with actual.
PRODUCTIVE LABOUR STATISTICS	Weekly	Month and year to date	Works Manager Departmental Managers and Supervisors	Unit of measurement, e.g. standard hour showing efficiency of productive work and responsibility for non-productive work, e.g. extra allowances, idle time – weekly, with monthly summary for departmental managers and supervisors.
SCRAP AND SPOILAGE REPORT	Weekly and monthly	Month and year to date	Works Manager Departmental Managers	Anaylsis of responsibility for scrap and spoilage with values – weekly and monthly summary showing value salvaged.
STANDARD PRODUCT COSTS	November	Following year	General Manager Sales Manager Works Manager	'Standard' costs for all products including material, labour, fixed and variable expenses giving factory cost. Selling and administration expenses are included to give total cost as basis for price fixing.
RAW MATERIALS WORK IN PROGRESS FINISHED COMPONENTS	Monthly	Month-end previous month and previous year	Directors General Manager Works Manager Sales Manager	Comparison with budget and number of weeks' production.
CAPITAL EXPENDITURE STATEMENT	Monthly	Current year	Directors General Manager Chief Engineer	Expenditure on authorized projects, expenditure compared with actual budget and anticipated rate of expenditure in future months.
CASH POSITION STATEMENT	Monthly	Current month-end and following month	Directors General Manager Chief Accountant	Comparison with budget and monthly report showing movement since previous year-end.
BALANCE SHEET	Monthly	Current month-end	Directors General Manager Senior Managers	Comparison with budget showing movement in assets and liabilities since previous month and year-end.

33. The co-ordinating influence of budgets has suffered considerably from the unfortunate image of the accountant which exists, it being thought that budgets are a means of negative control only – mere devices to limit spending. This impression is particularly unfortunate because budgets, if properly and intelligently operated, can have an extremely constructive influence on the entire personnel of a company. Confidence is engendered as each section of the business knows what is expected of it in terms of the plan as a whole and management is aware when it is keeping pace with its target or getting behind. This also saves the energy of management as supervision knows what to do and does not waste the time of those above. Moreover internal organizational politics are reduced to a minimum – an important advantage that many companies would prefer not to recognize – human nature being what it is.

34. It goes without saying that the managing director, the board and/or the general manager must be convinced of the practical value of budgetary control as a means of achieving greater efficiency and ensure that management are aware of this attitude. Otherwise frustration is bound to set in sooner or later if little attention is paid to the system of budgetary control in addition to the waste of time and energy which will inevitably result.

35. Efficiency can more easily be achieved if operations are properly planned and controlled; equally, accounting information can be more fully

APPENDIX

ACCOUNTING INFORMATION FOR PLANNING AND CONTROL – CALENDAR YEAR

INFORMATION	*AVAILABLE*	*PERIOD*	*CIRCULATION*	*DETAILS*
		PLANNING		
LONG-TERM FORECASTS	November	Following three years	Directors	Sales forecast – on which is based, production forecast (materials – labour requirements – plant capacity and production services). Finance forecasts (profit – fixed and working capital – cash).
OPERATING BUDGETS	November	Current year and following year	Directors Senior Managers	Sales budgets – quantities and value sales, service, advertising expenses. Manufacturing budgets – direct materials – labour – works expenses – production. Gross profit margin – administration expenses – research and development expenditure. Operating profit margin – interest charges – provisions and estimated taxation. Net profit – dividends. Ratios – net profit to capital employed – sales to capital employed – net profit to sales.
BUDGET REVIEW	April and August	Current year and remainder of year	Directors Senior Managers	Explanation of differences in sales, production, profits and ratios from budget. Analysis of trends.
CAPITAL EXPENDITURE BUDGET	November	Following year	Directors Senior Managers	Expenditure on capital projects showing estimated future profits on additional capital investment including: buildings, plant and equipment required for increased manufacturing capacity. Replacement of present plant and equipment. New products. Purchase of existing business. Research and development capital expenditure.
CASH BUDGET (RECEIPTS AND PAYMENT BASIS)	June November	Current year and following year	Directors Chief Accountant	Cash receipts. Cash payments.
CASH BUDGET (PROFIT BASIS) AND BALANCE SHEET FORECASTS	November	Current year and following year	Directors	Operating profit (before taxation). Depreciation and other provisions. Capital receipts/expenditure. Increase/decrease in stocks and work in progress and debtors and creditors. Taxation interest and dividends. Net cash gain – agreed with budgeted balance sheet.

financial control and be filed away never used – hence useless. Both managers and accountants in developing businesses are already overloaded – one has little time available to study insignificant masses of figures, the other should not waste time preparing them.

Planning Control and Co-ordination

24. How can accounting information aid medium-size business to increase efficiency? Let us first examine the way in which a business organizes or *should* organize itself for efficiency. Management information comprising facts and figures, quantitative and financial, is used to determine future plans against which to control the progress of the business. The marshalling of these facts and their consideration, leading to a valid conclusion on which a decision can be taken, constitute what is known as scientific method.

25. Quite simply this means that decisions and the efficient planning co-ordination and control of business operations are made easier with clear and concise information readily available. Without this type of information decisions can only be taken by hunch. Recognition of the use of such information as one of the tools of managerial planning and control has been given greater emphasis in the United States and the use of specialists and service departments such as accounting is, therefore, much greater.

26. The Chairman of General Motors, Alfred P. Sloan, Jun,. in his book *My Years with General Motors*, covering a period of fifty years, refers several times to their effective system of financial control. For example – 'the new financial controls operated so well that the rapid increase in sales volume from 1922–25 was accompanied by a decrease of $1 million in inventories'. And again – 'Thanks to our financial and operating controls we were able to finance virtually our entire expansion programme during 1926–29 out of earnings and depreciation.' In the three difficult years following the stock-market crash to 1934 General Motors was more than able to hold its own, as no more than anyone else did they see the depression coming; they had simply learned how to react quickly. 'This was perhaps the greatest payoff of our system of financial and operating controls', says Mr Sloan.

27. I have deliberately quoted these examples relating back to the 1920s and 1930s to show the importance, even at that time, placed on financial control by General Motors. It is generally recognized that there is little difference now between the most advanced management practices in the U.S.A. and Britain, but in the 1960s greater effort is required to raise the level of management in medium-sized business to American standards and particularly so in the sphere of financial control.

28. Many companies in Britain even today rely too much on the principle that a 'practical' outlook is enough to ensure efficiency and do not believe in the field of scientific management, especially where they are managed by well rounded amateurs who are suspicious of surrounding themselves with specialists and professionals. The argument is often advanced that, as there is little to this whole management business anyway, there is no point in having a lot of specialists clouding the issue by masses of paperwork created by clerks, when all that is required is a well balanced open mind and seasoned managerial judgement.

29. So much time has been wasted in this country discussing this aspect and so much confusion has arisen because managers so often fail to distinguish between their responsibilities for planning and control and the many techniques available to help in carrying out those responsibilities. No one would deny that a business must constantly look outside itself and take a broad picture of things in order to see its place in its own industry if its position in the market is to be maintained, but in order to do this a thorough knowledge of its main internal functions of sales, production and finance must equally be known and analysed.

Accounting Information for Planning

30. What then does planning control and co-ordination consist of and how can accounting information be used for planning and control purposes? Planning consists of policy making and the systematic planning of future activities. Control is the measurement of results so that variances from plans can be determined. Co-ordination assures that the activities of a business are carried out for the benefit of the enterprise as a whole.

31. In practice managers find that they have very little time for forward thinking about long-term considerations due to the enormous variety of problems requiring immediate action. The necessity to prepare plans in the form of long-term forecasts and short-term budgets, therefore, commits management to formulate policies and decide what to manufacture, how much of each type of product, how to make them and how much to charge for the finished product. With a little practice most of the information can usually be compiled from the various sources available, analysed and in the majority of companies a lot of guesswork added, so that future trends can be assessed and a co-ordinated plan for controlling operations be drawn up. Some companies may have individual objectives to which they will give more attention than others, whilst it is also a useful exercise after the plans are made for one's own business to draw up similar forecasts for one's own industry as a whole.

32. Budgets as a means of control are made to be used as standards against which management may measure the results attained. Unremitting control through the recording of actual results against the estimated budgets shows up important variations and pin-points danger spots which must then be dealt with.

	Total	11–499 employees	500–1,999 employees	2,000 or more employees
No. of establishments ..	55,161	52,262	2,470	429
No. of employees (thousands)	8,178	4,194	2,241	1,743

There are in addition approximately 140,000 establishments with fewer than eleven employees. One can see from these figures that the smaller-medium groups are of much greater numerical importance to the national economy than the larger organizations. The relative importance of these companies within industry must also be considered as, for example, sub-contracting firms to British engineering and subsidiaries within large groups where sufficient funds are available to ensure adequate scientific and technical development.

17. It is important within any industry to try and establish an optimum size of company and much more thought will have to be given to this problem in the future. Meanwhile some would consider the optimum size of a manufacturing concern to be between 500 and 1,500 where sufficient specialization and production planning can be used without losing the close contact and co-operation with all levels.

18. Whatever measuring stick is used, however, the medium-size business considered in this paper is large enough for the departments to control natural groups of processes. Each main function is the responsibility of a single individual as distinct from separate organizations needed for each of the product divisions of a large international company.

Main Uses of Accounting Information

19. All firms were at one time small or medium-sized and have only grown to their present size through being run efficiently. A good accounting information service available to management controlling this size of business therefore may have far-reaching effects. Let us be clear, however, on the way the need for this service arises. No matter what the size or product of the business, management requires accounting information on which to base its plans and forward thinking, know where it stands, assess the rate of progress, take any necessary corrective action and foresee in good time probable future trends.

20. In my experience management naturally want this information in the daily task of running a company in order to know what to do for the best. Management wants to know what will happen if a certain course of action is embarked upon, and the accounting service should have detailed accounting information available for when it is required. It does not follow, however, that management will always ask for assistance even though the accountant knows that this way is the right one to tackle the problem. Often, managers can operate surprisingly well without information, relying on the lessons of long experience. This state of affairs should be regarded as exceptional rather than the rule, otherwise it is clear that the financial function is not working effectively.

21. Assuming then this vital element of co-operation with management exists, a brief summary of the many uses to which accounting information can be put in the medium-sized business would include:

(i) Determining sales, production and financial policies and the extent to which finance will be required. It is usually easier for bankers and other financial institutions to provide finance where well defined plans are in existence.

(ii) Presenting in the universal language of money the plans of a business according to the best judgement of the management who are thus committed to a definite objective and a definite responsibility for each function of the business.

(iii) Compelling management to study markets and manufacturing methods in order to plan the most economical use of materials, labour and overhead expenditure, thus conserving the company's resources and securing low costs.

(iv) Presenting the facts of operating a business, showing the variances between the estimated plans and the actual results obtained, thus indicating the need for caution or whether expansion can be proceeded with.

(v) Determining the best possible use of fixed assets and working capital and securing rapid turnover of the latter.

(vi) Realization of maximum net profit and a sense of profit consciousness bringing it into the thinking of the whole management team at the same time securing co-ordination, an aspect of management not as yet fully exploited by British industry.

22. A word of warning, however, before anyone feels that the panacea for all business ills has been found. Accounting information, no matter how constructive in itself, can never be used as a substitute for management. It will never produce profits but it will indicate how and where profits or losses are being made, so that it is not necessary to waste time looking for the leaks in the organization. Moreover, it is the application of modern accounting techniques to management problems that is important, not accounting principles in themselves. Interpretations which may be arrived at through failure to realize this simple fact can often be misleading and not only hide the proper course of managerial action to be taken but also be available too late for action. Accounting information cannot possibly replace technical skill, experience, judgement and common sense but only act as an aid, albeit a powerful one, to supplement these essential attributes of management.

23. A final word of warning is necessary. Too much information, too much paper-work, and too many figures will only defeat the real purpose of modern

and determining which investment is likely to yield their company a maximum profit.

5. Unfortunately, therefore, business will not necessarily turn to the accountant to lead the attack, unless he can develop quickly a much broader outlook than is generally found at present. However, steps are being taken, albeit slowly, to raise the standard of training and only this year the major accountancy bodies in the United Kingdom, fully aware of the vital interest being shown in business efficiency, have put forward proposals for a Joint Diploma in Management Accounting Services.

6. The definition of management accounting services given, merits such close study that it is reproduced here in its entirety.

> 'By management accounting services is meant the application of accounting knowledge for the purpose or organizing, selecting, compiling and presenting accounting, quantitative and statistical information derived from all the relevant records of a business to assist those responsible for management in controlling the business and in the making of day-to-day decisions and in the formulation of policy, together with the application of knowledge and experience of:
> (*a*) techniques for the organization, control and measurement of production and ancillary services and for the control, measurement and remuneration of human effort;
> (*b*) commercial and management practices; and
> (*c*) office organization, methods and equipment.'

7. Information is the life blood of management and this is particularly the case where scientific methods of management are in use. The complex problems of business today require more than ever the help of scientific method to supplement the creative abilities, judgement and leadership of managers in order to ensure continued efficiency and long-term success.

8. Unduly complicated systems, however, are immediately suspect by managements who have very little time or inclination to understand involved accounting techniques. The aim always should be to present information as simply as possible. If this can be done in a way which shows a close understanding of the managers' problems, so much the better.

9. No attempt has been made, therefore, to discuss in detail techniques for compiling this information, as these have been adequately covered in recent years by excellent books and publications by the various professional accountancy bodies. To those that have not already done so, a serious study of the literature on the subject of financial control cannot be too strongly recommended.

Efficiency Essential

10. What is efficiency and why is it essential to all industrial concerns? In order to be classed as efficient not only has a business to give a fair return to shareholders, but it also has to maintain or improve the worth of the company and at the same time satisfy customers with a reasonably-priced quality product, maintain delivery promises and ensure after-sales service. This it does by constantly endeavouring to improve the return on capital employed, by maximizing its profits through efficient selling methods, high productivity and the best use of financial resources.

11. In order to attain, and what is equally important, maintain efficiency a formidable range of problems has to be faced each day almost as a matter of course in a world constantly upset by economic and political changes of a national and international character. These problems also have to be met against the background of this country's constant need to increase exports in the face of stiff foreign competition, and competition in the home market from companies also endeavouring to increase their efficiency.

12. Moreover unless greater efficiency is achieved within British industry and the recent views of outside agencies on this subject including those of American firms of management consultants operating in this country are illuminating, then the possibility of increasing the economic growth of Great Britain beyond the 4 per cent figure recommended by the National Economic Development Council seems small indeed.

13. Because a company is small- or medium-sized is no excuse for attempting to evade the responsibility to operate efficiently. Neither can it place the burden on the larger organizations to uphold national prosperity, as in its own way it uses up a proportion of national resources which it must ensure is used as efficiently as another company would have done.

14. There is no real reason why a medium-sized company should not be as efficient as a large company where matters are often analysed in great detail, the resulting information so often being ignored and not used. Whilst it is true the same techniques will not be required in the same detailed form, however, the better approach and greater effectiveness underlying those techniques will be needed to supplement the other inherent advantages of versatility and adaptability.

Medium-sized Business

15. What is a medium-sized business? This organization is the one with which we are most concerned in this paper although there is naturally enough considerable opinion as to what constitutes a medium-sized business. The Institute of Directors in one of its publications has, for example, expressed the size of companies in terms of issued capital – a medium-sized company being classified as one having an issued capital of £50,000 to £999,000.

16. The Ministry of Labour, on the other hand, classifies manufacturing establishments according to the number of their employees, which from the latest available statistics shows:

aside £102·5; so we raise the £100 historical cost with an inflation charge of £2·5, and measure profit at £7·5. If, instead, we charge a replacement cost provision of £4 (or replace the goods for £104 and use LIFO), then we reduce profit to £6 and so maintain *physical* capital and increase real capital. The balance of argument seems to suggest that the most serviceable figure for profit is the one based on real capital maintenance (i.e. here £7·5).

I suspect that the pronouncements on inflation by accounting bodies – in both England and the U.S.A. – have done more than anything else to harm the accountant in the eyes of intelligent onlookers. A profession cannot claim to be a restraining and conserving influence if it publicly defends the over-stating of profits for the very times when this is most undesirable.

There are no signs that the Treasury has yet found how to stop inflation. Accountants may well have to get the knack of allowing for it in their figures, or else hand over this job to someone else. Apart from the need for better statistics for each firm, there are strong grounds for the Government prodding all firms into correcting profit – perhaps by letting them use the corrected figure (lower during inflation) for tax purposes, provided they use it also in the shareholders' accounts.

The argument for intervention is that the uncorrected accounting figures exaggerate the profit trend of booms and slumps, and so may be a weighty contribution to the social evils of over- and under-employment. We cannot be sure of this; who can tell what factors induce the mental states – of optimism or gloom – that influence investment decisions? But it seems reasonable to think that marked changes in the trend of published profits must have some effect on general confidence. When the disease is so grave, a wise Government will try any medicine that offers hope of even a partial cure. (*To be continued.*)

Accounting Information – I

An Essential Aid to Efficiency in the Medium-sized Business

by R. EDWARDES, F.C.A.

Introduction

THE use of accounting information as an aid to efficiency has in the past been neglected by many companies in industry and particularly is this true of the medium- and smaller-sized business. One of the puzzling features of British medium-sized business in recent years has been its apparent indifference to the creative part financial control can play in its affairs. One can go further, with little fear of contradiction, and say that this indifference has been extended to many other management problems.

2. The accountant must take his fair share of the blame for this state of affairs, however, for clinging far too long to a traditionally passive and somewhat negative outlook. This has made it difficult for him to sell the future potential application of management accounting and the need to use finance as widely and profitably as possible.

3. Despite the rapid advance in the development of financial techniques over the last decade, progress was bound to be slow and frustrating whilst industry was in little mood to encourage modern management practices. There are now hopeful signs that both industry and the profession are making up lost ground. Medium-sized businesses are at last recognizing the need to plan their own future operations and what is more, ensure that they are carried through to a successful and profitable conclusion.

4. Training for managers and the setting up of schools of business management are matters receiving considerable thought and attention in this country today. Managers with a university training are appearing on the scene who will be capable of handling the financial implications of several lines of action

Mr R. Edwardes, F.C.A., author of this paper, is a director and secretary of Electro-Hydraulics Ltd, of Warrington. He was admitted to membership of the Institute in 1943.

The first part of a paper presented at the Oxford Summer Course of The Institute of Chartered Accountants in England and Wales last Monday.

Price Changes and Income Measurement

Table II, for simplicity, deals only with special price change (in the particular assets) and ignores general price change. But the latter has unfortunate effects on income measurement.

We can use a simple short-cut to cure the error (nearly enough for practical purposes). As is well known, when there is general price change, the ordinary profit and loss account may subtract cost £s of one value from sale £s of another value, because some of the historical costs may date back to an earlier time than the corresponding revenue. For example, depreciation on plant bought in, say, 1948 is subtracted from sales of 1964, i.e. heavy £s from light ones – with the result that 1964 profit is too high by the test of real capital maintenance.

The short-cut cure is to revise historical cost – in my view, with the general index (and not the special index of 'replacement cost accounting'). For instance, if general prices rise 10 per cent in the year and average stock turnover takes a quarter of a year, then the historical cost of goods sold should be raised by 2½ per cent as an 'inflation charge'. If we go further than this (as when we use LIFO, or base depreciation on the current special value of plant), then we are also excising real appreciation from profit, i.e. reducing profit to its 'current operating' component.

For instance, suppose goods costing £100 are bought when both general and special indices stand at 100, and are sold for £110 when the indices stand at 102·5 and 104 respectively. The ordinary accounting profit of £10 merely maintains *money* capital – an exercise that people experienced in inflation may well deem pointless. If we want to maintain *real* capital, we must set

TABLE II
showing two versions of profit, in parallel

INCOME ACCOUNT

Current trading section. Sales	£42
Cost of goods sold (as at June 30th, year 3). 2×16	32
Current operating profit	10

Parallel versions of various profit ingredients:

Realized gains only	£	*Unrealized gains too*	£
Current operating profit	10	Current operating profit	10
Realized appreciation, during years 1–3, on assets:		All appreciation, during year 3 only, on assets:	
sold 2×(16−10)	12	sold 2×(16−12)	$\boxed{8}$
		still held 1×(17−12)	$\boxed{5}$
			13
Accounting profit	22	'Business profit'	23
Appropriations, etc:			
Less: tax, dividends, etc.	—		—
Surplus for year: Realized	22		22
Unrealized	—		1
Surplus brought forward, Realized	—	Unrealized	6
Total surplus Realized	22		7

BALANCE SHEETS

	January 1st, Year 3 Historical cost	*January 1st, Year 3* Current cost	*December 31st, Year 3* Historical cost	*December 31st, Year 3* Current cost
	£	£	£	£
Cash	—	—	42	42
Stocks	30	36	10	17
	30	36	52	59
Capital	30	30	30	30
Profit: Accounting	—	—	22	22
Unrealized appreciation	—	6	—	7
	30	36	52	59

We assume that there has been a considerable inflation during the year, and the general index has risen from 100 to 110. Now we can see that firm A.'s non-money assets have indeed risen in value ('Real appreciation on fixed assets' is 120 per cent less 110 per cent on £10,000, i.e. £1,000) – but by less than (2) suggests. B. has *lost* wealth: these accounts show how much and why – it made the mistake of holding money during inflation (10 per cent of £10,000 = £1,000). C. has gained both from a real rise in asset values (120 per cent less 110 per cent on £30,000 = £3,000), and from being so highly-geared during inflation (10 per cent on £20,000 = £2,000).

I do not suggest that a new Companies Act should force companies to use this particular way of setting out a balance sheet. No doubt other people will – at once or in the future – think of better ways; so an Act should be persuasive but not rigid. Its right approach is perhaps to require that published accounts must either show current values in the best available way, or else must contain a statement by the directors explaining why they feel unable to use such values. This is very like the British 1948 Act's rule on depreciation; and few of our companies now fail to write it off.

Alternative Forms of Income Account

How can the profit and loss account deal in current values? Accountants have a strong objection to taking credit for unrealized gain, for two valid reasons: the size of the gain is seldom certain, and to show it may lead to demands for tax and dividends before enough cash reaches the till.

The answer probably is that this is one of the rare occasions on which one can both eat one's cake and have it. In other words, there seems no reason why we should not show both accounting profit (realized gains only) and also a less objective figure; they are not mutually exclusive. After all, profit is a measure of economic growth. If we were asked to measure the growth of, say, a child, we should have to admit that there are many excellent ways of doing so – by finding the increase in its weight, or height, or mental prowess, or so forth. Much the same applies to economic growth. And to give several measures is more informative than to give only one. An important book by Messrs Edwards and Bell[1] shows how two profits can be shown – in parallel as it were – within the double-entry structure. The two are accounting profit and what the authors call 'business profit'. The latter includes both unrealized and realized appreciation, for the current year only. (Oddly enough, it can be *smaller* than accounting profit, since the latter of course includes appreciation on realized assets for all the years during which they have been owned.) And because both calculations show appreciation (a test of management's skill in buying), they must as a balance state the other ingredient of profit, which the authors call 'current operating profit' (a somewhat notional figure that suggests skill in manufacturing, selling, etc.).

Table II tries to show, with simple figures, how this ingenious trick is performed. The data are as follows. Suppose I buy three units of like goods in year 1, at the wholesale price of £10 apiece. In year 3, I sell two of the units at the current retail price of £21. Accounting normally shows my results thus:

INCOME ACCOUNT	£
Sales: 2×21	42
Cost of goods sold: 2×10	20
Profit	22

BALANCE SHEETS

	Jan. 1st Year 1	*Jan. 1st Year 3*	*Dec. 31st Year 3*
	£	£	£
Cash	30	—	42
Stocks	—	30	10
	30	30	52
Capital	30	30	30
Accounting profit	—	—	22
	30	30	52

Now let us assume that wholesale prices have been:

	£
Year 1 Purchase date	10
3 January 1st	12
June 30th (sale date)	16
December 31st	17

The Edwards and Bell re-statement of the accounts runs:

Table II shows how the excess of unrealized over realized profit (£1 for the year, £7 for all years) can be segregated. This safety device seems to dispose of most of the risk in recognizing unrealized gain.

[1] E. O. Edwards and P. W. Bell, *The Theory and Measurement of Business Income* (Berkeley, 1961).

The Future of the Accountant – II

DILEMMAS FACING THE PROFESSION

by W. T. BAXTER, B.Com., C.A.
Professor of Accounting, University of London

THE first instalment of this article ended by suggesting that a balance sheet filled with historical costs cannot satisfy the critics of accounting. The latter maintain, with good reason, that current values are desirable; investors and managers are both entitled to the best available figures for asset values.

What are 'the best available figures'? For most assets, in most circumstances, current replacement cost is probably the answer; if this is hard to find, an adequate figure can normally be got by up-dating historical cost with a special price index for the particular type of asset. 'Money' assets and liabilities do not need any alteration, since most of them are automatically expressed in today's money values.

Alternative Forms of Balance Sheet

Table I suggests, in an ultra-simple way, how these rules might be put into effect. It compares three firms (A., B., and C.) that illustrate very different asset policies. We suppose that all three set up in business on January 1st. Their ordinary capital is £10,000; C. also borrows £20,000 on debentures. They at once invest all their money as follows:

A. and C. – in non-wasting fixed assets (e.g. land, equity shares).

B. – in money assets (e.g. bank deposits, Government stocks).

The special price index for the fixed assets then rises over the year from 100 to 120. (Unfortunately we must deal both with *special* price indices for each type of non-money asset, and with a *general* index for the purchasing power of money over all commodities and services.) For simplicity, we assume that profits are paid out (as tax and dividends) as soon as they are earned.

The top horizontal part of Table I – marked (1) – shows the balance sheet in our usual style. To judge by these statements, A. B., and C. have done equally well.

Part (2) suggests an alternative arrangement (already being used to some extent in Britain and also Holland), with the assets revalued. This suggests that A. and C. have grown richer while B. has stood still.

TABLE I
Different sets of balance sheet values

Firm:	A.	B.	C.
(1) USUAL STYLE (based on historical cost)	£	£	£
Fixed assets (still at cost)	10,000		30,000
Money assets		10,000	
Less Debentures			20,000
	10,000	10,000	10,000
Capital	10,000	10,000	10,000
(2) ASSETS REVALUED			
Fixed assets (revalued at 120)	12,000		36,000
Money assets		10,000	
Less Debentures			20,000
	12,000	10,000	16,000
Capital: Original ..	10,000	10,000	10,000
Appreciation on fixed assets	2,000		6,000
	12,000	10,000	16,000
(3) ASSETS AND CAPITAL REVALUED			
Net assets – revalued with special index as in (2)..	12,000	10,000	16,000
Capital: Original, adjusted with general index of 110	11,000	11,000	11,000
Real appreciation on fixed assets	1,000		3,000
Loss from holding money		—1,000	
Gain from owing money..			2,000
	12,000	10,000	16,000

But to get a complete picture, in real as distinct from money terms, we must consider also the behaviour of money since the firms began. We do so by trying to up-date the remaining bit of the balance sheet, i.e. the owners' balances for capital, retained earnings, etc. The best we can do with this record of past investment is to re-express it with the help of a *general* price index. Part (3) of the table shows this.

taining the foundations and subsidence occurs, then the outlay can be set off against the income of the 'pool', although not against other tenants' repairing leases.

A special case arises where companies are in receipt of income from letting furnished accommodation in circumstances which do not amount to the carrying on of a trade. They are chargeable under Case VI, but if it is desired to take advantage of a Case VIII deficiency not otherwise relieved and the terms of the lease are appropriate, the income therefrom may be split between the premises (Case VIII) and the use of the furniture (Case VI) if notice to this effect is given within two years.

A further special case is that of trading companies deriving income from property and, in accordance with earlier practice, a trader who lets off part of the building in which he carries on his business can treat the rent as part of his trading receipts. Where this course is agreed upon, it could not be set aside retrospectively should the taxpayer decide at a later date to insist on the application of Case VIII to the rents (see *Carrimore Six Wheelers Ltd v. C.I.R.* (26 A.T.C. 284; 26 T.C. 301)).

The First Assessments

The end of 1964 will signal the due date for initial collections under Case VIII. These will be preceded by assessments made on the basis that all sources of income and all amounts relevant in computing profits or gains are the same as for the previous year. In cases where the inspector does not obtain the necessary particulars from notices to occupiers and agents in accordance with section 18 of the Finance Act, 1963, or the usual annual return forms which have already been issued for completion early in 1964–65, it seems that the quantification of the first assessments will have to proceed by reference to the gross income previously notified in connection with Schedule A and Schedule D, Case VI (excess rent) assessments. In such instances, therefore, the first Case VIII collections would be made on a scale which gives no relief for outlay in 1963–64 on maintenance, repairs, insurance and management.

If a company has grounds for claiming that the first assessment should be reduced below the level of its results for 1963–64, it must submit a statement to the inspector before January 1st, 1965, quoting the aggregate Case VIII income anticipated for 1964–65 and the sources which it has ceased to possess since April 5th, 1963. Relief will only be available if at least one source has ceased and if the anticipated decline in 1964–65 aggregate income is directly attributable to the loss of the source. It should be noted that a decline in current income is relevant if attributable to the disposal of a source either in the current year or at any time in the immediately preceding tax year (for this purpose the disposal of a source includes the falling-in of a lease). On the other hand, an actual or anticipated increase in expenditure does not constitute grounds for an adjustment of the first assessment, although it is understood that inspectors will always be ready to give consideration to cases where this provision of the law causes hardship.

Adjustment to Actual

When information is available as to the actual results for 1964–65, the position will be adjusted by means of an additional assessment or a repayment. It is not necessary to appeal against the first assessment except in the case where this fails to give effect to any statement that may have been submitted as mentioned above. When the Case VIII liability is on an accounts basis, settlement will be expedited if the accounts are made up to a date before the end of the fiscal year. Such a choice of date merits the further consideration that claims to management expenses and other reliefs available to property companies are dealt with by repayment. On the other hand the Revenue have no power to raise a first assessment under Case VIII on a basis higher than that of the preceding year so that where income is rising or expenses falling the additional tax attributable to the net gain cannot be collected until an additional assessment has been raised after the end of the fiscal year.

Finally, as regards location, section 16 permits assessments to be raised either separately for each unit or in the aggregate for each district or by some other combination. The intention is to combine the assessments wherever practicable and it is understood that in the case of property companies assessments will be made by the inspector for the district where the company's head office is situated. If properties are managed by a local agent, however, it may be more convenient for assessments to be dealt with by the local tax district and in any event the national boundaries are to be observed, e.g. estates in Scotland will not be assessed jointly with property in England. These rules, however, are administrative only and do not preclude appropriate set-offs where there is an excess of expenditure in one area over income in another.

repair the whole or substantially the whole of the premises comprised in the lease.

A useful discussion of the implications of a duty to bear the whole burden of depreciation of any premises is to be found in *Boarland v. Pirie, Appleton & Co Ltd* (19 A.T.C. 376; 23 T.C. 547). It is noteworthy that the Revenue do not regard a lease under which the tenant is liable for repairs, fair wear and tear excepted, as a tenant's repairing lease, the latter expression being apparently intended to cover what are generally known as ground-rents.

The third main group concerns properties let otherwise than at a full rent. In view of the somewhat nebulous definition of a 'full rent', it might be expected that in practice the Revenue will give special attention to a lease where the lessee is a 'connected person'. Although the expression 'person' includes a company, the Act lays down an extended definition which elaborates the nature of 'connection' as applied to the relationship between individuals alone, between individuals and persons or between companies and persons (see paragraph 20, Ninth Schedule, Finance Act, 1962). Mention is made here only of the rule that companies are connected with each other where each is under the control of one or other or more of several persons connected with each other or where the companies are separately under the control of groups artificially held apart through the representation of controlling interests in one group by connected persons in the other group.

Permissible Deductions

Permissible deductions include expenditure on maintenance and repairs only to the extent that these were occasioned by dilapidation attributable to the qualifying period (see below). For this purpose the Revenue consider that experience gained in applying the principle of the decision in *Law Shipping Co Ltd v. C.I.R.* (3 A.T.C. 110; 12 T.C. 621) will be relevant. Deductions allowed also include obligatory services in respect of which no separate consideration is received by the landlord, but in practice the Revenue are prepared to overlook the absence of an express covenant in the lease and to permit the deduction of a landlord's commercial expenses of a revenue nature on providing services or amenities for tenants within the framework of the lease. Other deductions comprise payments in respect of insurance, management, occupier's rates or other charges which the taxpayer as landlord is obliged to defray and periodical payments linked to the premises such as rent, rent-charges, ground annuals and feu-duty. An important point to be borne in mind is that expenditure is not allowable to the extent that it is balanced by the receipt of insurance or dilapidation moneys whereby the burden of expenditure is effectively transferred.

Qualifying Period

In order to be admissible as such, deductions are required to be made in the qualifying period. In the first instance this comprises the accounting year or other period for which the relevant rent entitlement arises. Furthermore, the expenditure requires to have been made in respect of that year or any earlier period falling within the currency of the lease under which the rent is derived excluding any period before the taxpayer became landlord. The qualifying period terminates with the end of the year of assessment in which the taxpayer ceases to be landlord but, where payments are made after a property has been disposed of, they may be related back to the due date so as to qualify for relief.

The right to deal with income and expenditure on an accounts basis is subject to certain overriding restrictions which become significant when expenditure on a given unit exceeds the income which it yields in the relevant year. Expenditure relating to a lease not at a full rent cannot be relieved except against income arising under that lease, but a lease at a full rent commands the important privilege that the qualifying period extends backwards to include a similar antecedent lease or leases. If there has been an interval between any such leases, i.e. a void period during which the taxpayer was entitled to possession although not in occupation, then the intervals rank for inclusion in the qualifying period, as does a void period commencing at the date of acquisition by the taxpayer of his interest as landlord.

A break in the sequence of full leases and voids prevents any extension of the qualifying period to include antecedent periods, e.g. where the company has itself been in occupation. On the other hand, it is permissible to make apportionments where by so doing a qualifying period can be extended for part of the premises only. Landlord's repairing leases at a full rent are the only types of lease which may be dealt with on a 'pool' basis, any surplus of income on one property being available to meet a deficiency on another. In the case of a tenant's repairing lease, however, the Revenue state that, if the landlord is involved in exceptional expenditure on a particular property greater than the rent, e.g. if he is liable for main-

Companies and Property Taxation

by H. S. A. MACNAIR, F.C.A.

SCHEDULE A was abolished by the Finance Act, 1963, for the purpose of removing the charge to income tax on the occupier's beneficial interest in land in the United Kingdom. The expression 'land' is not defined but section 3 of the Interpretation Act, 1889, states that it includes messuages, tenements, and hereditaments, houses and buildings of any tenure, while the 1963 Act uses the term 'premises' to include any land. The opportunity was also taken of eliminating those elements in the tax structure which by their lack of flexibility had come to be regarded as the occasion of many anomalies.

When the new arrangements were first mooted, it was hoped by those responsible for settling the liabilities of companies that the new rules for taxing income from property would be comparable with the existing rules for trading income. The latter have usually involved a comparison of receipts with relevant expenditure by reference to an account drawn up in a manner consistent with ordinary commercial principles and adjusted in accordance with statutory rules (*Whimster & Co v. C.I.R.* (12 T.C. 813; 4 A.T.C. 570)). In these circumstances one may refer to the *Notes on the Taxation of Income from Real Property* issued by the Board of Inland Revenue which state that in appropriate cases where the taxpayer furnishes full accounts (including a balance sheet) which are made up annually to the same date, these will be accepted as the basis of computations for Case VIII purposes.

Accruals Basis

This assurance is reinforced by a statement issued by the Board (see *The Accountant*, May 16th, 1964, page 625) and it is clear that the accruals basis will be accepted in place of the entitlement basis mentioned in section 15 (2) of the Act. In this connection new rules for apportionments on completion between vendor and purchaser are contained in clause 20 of the current Finance Bill. Similarly, the formal procedure laid down in section 17 for dealing with bad debts, or waivers reasonably made to avoid hardship, is modified in favour of appropriate provisions incorporated in the accounts. A labour-saving concession is the suggestion that an arbitrary allocation of expenditure between Case VIII deductions and management expenses (section 425, Income Tax Act, 1952) will be adequate if the Revenue do not lose thereby.

Types of Leases

Nevertheless, some degree of analysis requires to be made for the purpose of drawing up the computations, and revision of book-keeping arrangements may be desirable to ensure that the necessary information will be readily forthcoming. Property receipts and expenditure should be classified under three main headings:

(1) properties on a landlord's repairing lease at a full rent;
(2) properties on a tenant's repairing lease at a full rent; and
(3) properties let otherwise than at a full rent.

As regards property which a company itself occupies, it seems that outgoings would only rank for relief if properly includible in a management expenses claim.

A lease is to be taken as being at a full rent if the rent reserved under the lease, including an appropriate sum in respect of any premium, is sufficient, taking one year with another, to defray the cost to the lessor of fulfilling his obligations under the lease and of meeting any expenses of maintenance, repairs, insurance and management of the premises which fall to be borne by him.

The expression 'taking one year with another' appears also in section 3 (4) of the Transport Act, 1947, which required the British Transport Commission to conduct its undertaking so as to secure that the revenue was not less than sufficient for making provision for the meeting of charges properly chargeable to revenue, taking one year with another. In view of the Transport Commission's history of losses it seems that a succession of years in which expenditure happens to have exceeded income is not of itself a sufficient reason to prevent a lease qualifying as being at a full rent. It may be that in practice a lease will be accepted as commanding a full rent if entered into on a commercial basis and with a view to the realization of profits, i.e. if there was a reasonable expectation of profit when the lease was negotiated (see section 20, Finance Act, 1960).

A tenant's repairing lease means a lease where the lessee is under an obligation to maintain and

Schedule 4 of the Finance Act, 1963, provide for deducting that rent in the Case VIII computation. But consider paragraph 17 (3) of that schedule. The relevant words are:

'(3) No deduction shall be made under this schedule in respect of a payment made by a person (P.1.) –
(a) to the extent to which the payment has been or will be . . . recovered from or in any other manner borne by some other person, otherwise than by means of an amount on the profits or gains arising from which the first-mentioned person (P.1.) would be chargeable under Case VIII. . . .'

If the reality of the transaction is the receipt of an admittedly capital sum in consideration of its repayment with interest, the payer of the 'rent' seems to be in jeopardy from paragraph 17 (3).

It is time now to begin the distasteful task of examining clause 19 in detail. It carries its sting in the middle, in subsection (4), which reads:

'(4) A deduction by way of income tax relief which is one of the kinds to which this section applies, being a deduction in respect of rent or of any other payment to which this section applies, shall not exceed the commercial rent for the period for which the rent or other payment is made of the land in respect of which that payment is made.'

What are the kinds of deduction to which clause 19 applies? This is answered by sub-clause (13) which imports all the deductions described in clause 17, together with any deduction made in computing Case VIII and allowable by virtue of Schedule 4 to the Finance Act, 1963. The provisions of clause 17 (4) were discussed in a leading article in our issue of May 23rd when the clause was numbered 16. Case VIII needs to be added because clause 17 dealt only with assets other than land.

To be caught by clause 19 (4), the deduction must be in respect of rent or of any other payment to which clause 19 applies. Clause 19 (12) directs *inter alia* that 'rent' includes any payment made under a 'lease' as 'defined' in clause 19 (12). However, clause 19 (12) does not, properly speaking, define 'lease', it provides that the word 'lease' is to include:

'an underlease, sublease or any tenancy or licence, and any agreement for a lease, underlease, sublease or tenancy or licence and, in the case of land outside the United Kingdom, any interest corresponding to a lease as so defined'.

In the Stamp Acts there has never been any difficulty about including underleases, subleases and tenancies as being covered by the simple word 'lease'. The difference between a lease and an agreement for one is well established. But what is the difference between a licence and an agreement for a licence? Seeing that the draftsman was being so cautious, why did he not, as in the Stamp Acts, include the word 'tack', as the Scottish equivalent of a lease? The confusion engendered by this extremely wide definition is increased when we consider the terms of clause 19 (3) which speaks for instance of 'granting' a lease, and clause 19 (8) which speaks of 'the duration of the actual lease'.

Now the restriction imposed by clause 19 (4) is confined to rents, etc. 'to which this section applies'. What these rents, etc. are is brought by clause 19 (1), (2), (3). Clause 19 (1) which deals with rent under a lease (as defined above) provides, in effect, as follows:

'If,
(1) at any time after April 14th, 1964;
(2) land is transferred from one person to another; and
(3) as a result of either
(a) a lease of the land or any part of the land granted at that time or subsequently by the transferee to the transferor;
or
(b) as a result of any other transaction or series of transactions affecting the land or any estate or interest in it;
(4) the transferor, or any person associated with him, becomes liable;
(5) at the time of the transfer or subsequently;
(6) to pay any rent under a lease of the land or any part of the land;

then clause 19 applies to all the rent due under the lease
(7) from the transferor; or
(8) from any person who is associated with the transferor.'

That is to say, such rent is subject to the restriction to 'commercial rent' for the purpose of the income tax relief. Clause 19 (2) makes closely similar provision for

'(a) any payment (other than rent under a lease) . . . by way of rent-charge on the land or any part of the land; and
(b) a payment in any other way connected with the land.'

It follows that these payments also, which *ex hypothesi* are not rent, are to be restricted to a hypothetical 'commercial rent' under a hypothetical lease. The definition of this commercial rent will be examined later.

(*To be continued.*)

FINANCE BILL

Leaseback and Avoidance – I

INCOME tax being a tax on income, a trader who owns his own business premises is not permitted to claim as a deduction the rent he would have paid had he not owned them. He can, however, sell the premises for a capital sum to, say, a charity, a superannuation fund, or a dealer in land, on terms under which he takes back a lease for a substantial period and pays a substantial rent. The rent is an allowable deduction, the capital sum is not taxed in his hands, and he can use it to develop his business or in some other way. This is the genesis of the common form sale and leaseback transaction which, although in a sense is a method of tax avoidance, seems to be universally acceptable as a respectable business device.

Shortly before the current Finance Bill was drafted the Government were warned that the device was being used in such a way as to bring even greater benefits to the operator. Accordingly, hasty steps were taken to counter this extension of the leaseback, and resulted in clause 18, now clause 19, of the Finance Bill. What the clause tries to counter is an arrangement under which the rent payable under the leaseback is all bunched into the early years of the term. When the period of high rents has ended, the reversion becomes of little value, and the dealer can buy it back and start the whole process again. The Inland Revenue have apparently advised the Government that this device will in fact work – that the dealer would be entitled to charge the excessive rent in full as a business expense. The clause therefore tries to deal with the situation by limiting the deduction to the 'commercial rent' which it attempts to define. Now before we examine the great practical difficulties which the clause raises, both in its original and in its amended forms, it is worth considering whether the Revenue advice is indeed correct; whether the Government can satisfactorily answer the question 'Is your clause really necessary?'.

Has the dealer really an established right to deduct the whole of the excessive rent payable in the early years of the lease? Have the draftsmen of the clause or the learned law officers considered the decision in *Darngavil Coal Co Ltd v. Francis* (7 T.C. 1)? The Darngavil Co hired wagons for a ten-year period and paid a fixed 'rent' for them. Under the hire agreement it had an option to buy the wagons for a specific sum which was scaled down over the ten-year period. At first, by agreement with the Revenue, the rent was split between capital and revenue and only the latter portion was allowed. Then this happy period was terminated by a Revenue circular which told inspectors to disallow all the rent under such agreements. This prompted the following comment from the Lord President:

> 'My lords, I must say that I think it is really very much to be regretted that circulars of that sort should be sent forth without taking the advice of the law officers, and I think the proof of that has come very much in this case, where the law officers, perfectly properly, have found themselves practically unable to support, without talking nonsense, the contention of the surveyor.'

So the practice of splitting the rent between capital and income, rather than disallowing it all, was resumed. The reason for that practice is that the uniform rent contains within itself two elements; payment for current hire, and payment for an option to acquire the wagon, which is capital.

Consider now the trader who sells his premises for £X and takes a leaseback under which he pays rents totalling £X plus £Y in order to repay the £X with interest. That rent is bunched into the early years of a long lease. Assuming that these high rents were otherwise deductible, what is to prevent the Appeal Commissioners from splitting those rents into two portions: one a payment for current use of the premises, the other a payment towards acquiring the right to a long lease for which the rent during the major portion of the term is purely nominal? Does not this latter portion bring into existence an advantage of an enduring nature, and is it not therefore capital expenditure?

Clause 19 is not confined to traders, it applies to most cases where rent is a deductible item in a tax computation. A common case will be the owner of property which he lets at current rents. If he has to pay rent, paragraphs 1 and 2 to

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE ACCOUNTANT

ESTABLISHED 1874

JULY 18TH, 1964 VOL. CLI. NO. 4674

CONTENTS

Further Education

THE present pattern of further education shows three main characteristics, according to Dr O. G. PICKARD, Principal of Ealing Technical College, who gave an address at the conference sponsored by The Institute of Chartered Accountants in England and Wales and held at Bristol this week on the education and training of articled clerks. The first is the impressive growth on a world-wide scale of the movement. The second is that the structure of further education is being adapted to the four strata of jobs and occupations – operatives, craftsmen, technicians and, at the top, technologists. The third is that the content and method of the courses provided are becoming firmly related to the requirements of industry, commerce and society in general.

In considering where and how articled clerks fit into this picture, Dr PICKARD kindly groups them with the technologists although he does point out that in some quarters accountants are rated only as business technicians, 'uncreative experts working to other people's directions'. Two main routes to qualification, he argues, should be through the universities scheme and an equivalent of the Dip. Tech. scheme, both of which postulate alternate spells of theoretical study and practical training. The consequences to the Institute of these approaches would be an increase in normal age for entry into articles, a raising of the standard of preliminary qualification and the implementation of a specific practical training programme instead of 'a rather vague gathering of experience' during the portion of the period of articles spent in the principal's office.

Some idea of how far these proposals match the philosophy of the Institute may be obtained from the second main address given at the conference. Outlining the work done during the first eighteen months of the existence of the Institute's Education Committee, Mr BERTRAM NELSON, C.B.E., F.C.A., who is its chairman, said that two main themes had been pursued – the recruitment of clerks with more than the minimum preliminary qualifications and the establishment of introductory oral classes at technical colleges to supplement the correspondence courses on which nearly all clerks at present relied. Both are encouraging steps towards a complete identity of objectives but a number of major difficulties have yet to be overcome. To mention only two – the prospect of membership of the Institute will have to be made more attractive to potential graduate clerks (the present intake of 10 per cent is no higher than it was in pre-war years) and technical colleges, for their part, will have to provide more and better facilities for accountancy students.

under the terms of the controls, must be paid before the agreement is made;

(ii) in the case of an agreement for the hiring of a motor vehicle for a period of not less than one year, it is now permissible for an extra charge to be made for mileage in excess of 15,000 miles in any one year.

The new Orders are the Hire-Purchase and Credit Sale Agreements (Control) Order, 1964 (S.I. 1964 No. 942, price 1*s* 3*d* each, by post 1*s* 5½*d*) and the Control of Hiring Order, 1964 (S.I. 1964 No. 943 price 8*d* each, by post 10½*d*). Copies of these Orders, which came into force on July 2nd, are available from H.M. Stationery Office.

THE SHEFFIELD AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

New President

At the eighty-second annual general meeting of The Sheffield and District Society of Chartered Accountants held on June 25th, Mr H. L. Watson, J.P., F.C.A., was elected President of the Society for the ensuing year.

Mr Watson, who is a partner in the firm of Carline, Watson, Bird & Co, Chartered Accountants, of Chesterfield, was educated at Bromsgrove School and served his articles with Major John Wortley, of Joshua Wortley & Sons. He was admitted to membership of the Institute in 1937 and became a partner in his present firm the following year. During the Second World War he served with the Royal Artillery from 1940 until his demobilization in 1946.

Mr Watson was secretary of the Taxation and Research Committee of the Sheffield Society for eleven years from 1948–59 and has been a Magistrate for Chesterfield Borough since 1950.

Other officers of the Society for 1964–65 have been elected as follows:

Vice-President: Mr W. R. Jenkinson, J.P., F.C.A.
Hon. Secretary: Mr J. M. Beard, F.C.A., Victoria Chambers, 22 Norfolk Row, Sheffield 1.
Hon. Treasurer: Mr R. L. Emmitt, A.C.A.
Hon. Auditor: Mr A. G. Bedingfield, F.C.A.

Newly elected members of the Committee were Messrs P. W. Allott, R. W. Atkin, J. A. Goldsmith, D. V. Peace, B. A. Raby, and J. Rowan.

Mr Watson proposed the vote of thanks to the retiring President, Mr W. B. Douthwaite, B.A., F.C.A., for the excellent way in which he had carried out his duties during the year. This was seconded by Mr Emmitt.

USE OF COMPUTERS IN LOCAL GOVERNMENT

A working party of the Society of County Treasurers has issued a useful twenty-four page report entitled 'Selecting and Installing a computer'.

The report describes the type of work – statistical and financial – to which the computer can be applied in local government, and after dealing with such matters as the size of computer required, programming, servicing and the economies of renting or buying, it goes on to cover the physical planning of the installation and staff requirements.

In a foreword to the booklet, the President of the Society states that computers are now playing an important part in the administrative work of the larger local authorities and their use will develop to an extent which is probably not yet fully appreciated. He adds that there is great scope for co-operation between authorities in their approach to the use of computers.

Copies of the publication, price 4*s*, are available from the Hon. Co-Secretary, Society of County Treasurers, County Hall, Chichester, Sussex.

NATIONAL INSURANCE SICKNESS BENEFIT

Increase in Time Limits for Claims

More time for claiming national insurance sickness benefit and a simplification of the rules are recommended in the National Insurance Advisory Committee Report entitled 'Time Limits for Claiming Sickness Benefit', published on June 30th.

Mr Richard Wood, the Minister of Pensions and National Insurance, has accepted the Advisory Committee's recommendations and has asked the Committee to consider and report on draft amending regulations to give effect to them.

The changes are:

Claimants will have six days (excluding Sunday) from the beginning of the illness in which to claim sickness benefit, instead of only three days as at present.

Claimants will no longer be required to notify incapacity within three days if they are unable to make a formal claim for benefit within that time. Instead they will have six days (excluding Sunday) in which to claim on the official certificate or to write saying that they wish to claim and that medical evidence of incapacity is following.

The Advisory Committee did not recommend any other changes.

ASSISTANT OFFICIAL RECEIVER

The Board of Trade have announced that Mr Cecil Herbert Brown has been appointed an Assistant Official Receiver to act as assistant to any Official Receiver appointed for the purposes of the Companies Act, 1948, and attached to the High Court, with effect from July 1st, 1964.

with Messrs THORNTON BAKER & Co, Chartered Accountants, of Leicester and elsewhere.

MESSRS A. P. SMITH, ATKINS & Co, Chartered Accountants, of Manchester and Macclesfield, announce that the recent merger of firms to constitute that firm has been extended to include MESSRS EDGAR OATES & Co, Chartered Accountants, of Manchester (Mr J. MASON, F.C.A.). The new firm name remains unchanged.

MESSRS THORNTON BAKER & Co, Chartered Accountants, and Messrs CLAY RUSSELL JACKSON & Co, Chartered Accountants, jointly announce the fusion of their interests with effect from July 1st, 1964. The present partners of both firms will continue to practise at their existing offices at Leicester, Nuneaton, Hinckley and elsewhere.

MESSRS THORNTON BAKER & Co, Chartered Accountants, announce with deep regret the death on June 27th, 1964, of their partner, Mr ANDREW HARWOOD SMALLEY, F.C.A.

MESSRS THORNTON BAKER & Co, Chartered Accountants, of Leicester and elsewhere, announce a fusion of their interests with Messrs RIVINGTON, LAWRENCE & Co, Chartered Accountants, of 107 Princess Road, Leicester, with effect from July 1st, 1964.

MESSRS TOUCHE, ROSS, BAILEY & SMART announce that as from July 1st, 1964, they have admitted into partnership Mr P. J. STILLING, A.C.A.

MESSRS M. M. WEST & Co, Certified Accountants, of 43a Sloane Street, London SW1, announce that Mr M. M. WEST, F.A.C.C.A., has retired from the practice with effect from June 19th, 1964. The name of the firm remains unchanged.

MESSRS EDMUND D. WHITE & SONS, Chartered Accountants, of 378–380 Salisbury House, London Wall, London EC2, announce that Mr JOHN ALEXANDER NAPIER, A.C.A., was admitted into partnership on July 1st, 1964.

Appointments

Mr David E. Bradford, A.A.C.C.A., has been appointed assistant secretary of Insurance Export Finance Co Ltd.

Mr J. A. R. Falconer, C.A., has joined the board of Canadian and Foreign Investment Trust Ltd.

Mr W. A. Hildreth, F.C.A., secretary and director of Associated Motor Cycles Ltd, has been appointed a director of Matchless Motor Cycles Ltd.

Mr K. E. Holmes, A.C.A., director and general manager of Clarkson Booker Ltd, has been appointed managing director of the company.

Mr R. Law, F.C.A., secretary of J. Gliksten & Son, has been appointed a joint managing director of the company.

Mr J. W. Mulvilie, A.A.C.C.A., has been appointed secretary of the British Insurance Association Investment Protection Committee and of the Insurance Export Finance Co Ltd.

Mr Derrick Allix Pease, A.C.A., has been appointed a managing director of Morgan Grenfell & Co Ltd, to take effect from October 1st, 1964.

Mr W. Quentin Russell, C.A., A.C.W.A., F.C.I.S., has been appointed to the board of Scotcros Ltd as an executive director.

Mr David W. White, F.C.A., has been appointed secretary of The Frederick Hotels Ltd and its subsidiary companies.

Mr R. A. Withers, F.C.A., the present deputy chairman and managing director of Ilford Ltd, has been appointed executive chairman and has relinquished his appointment as managing director.

We congratulate Mr J. W. Lodge, M.C., F.C.A., senior partner in the firm of Lodge & Winter, Chartered Accountants, of Truro, who was awarded the O.B.E. in the Birthday Honours List. Mr Lodge receives his award for services as chairman since its formation in 1945 of the Mid-Cornwall Disablement Advisory Committee in respect of disabled servicemen.

NATIONAL PORTS COUNCIL

Director of Finance Appointed

Mr P. J. K. Webster, B.SC.(ECON.), F.C.A., has been appointed Director of Finance of the newly-formed National Ports Council and will be taking up his duties in early August.

Mr Webster, who is aged 43, was manager with Messrs Pannell, Crewdson & Hardy, Chartered Accountants, of London, for some years, and since 1961 he has been group accountant and financial adviser to Rexall Drug & Chemical Co (U.K.) Ltd.

HIRE-PURCHASE, CREDIT SALE AND HIRING CONTROLS

The Board of Trade have made two Orders, consolidating the several Orders under which the terms of hire-purchase, credit sale and hiring agreements are controlled.

The new Orders re-enact the current requirements of the controls, subject to the following amendments:

(i) in the case of an agreement relating to a radio or television set or ancillary equipment, or to a radiogramophone, it is no longer permissible for any allowance given for goods taken in part exchange to be used to pay the deposit or advance rental which,

Notes and Notices

PROFESSIONAL NOTICES

MESSRS ALLNUTT, GREEN & Co, Chartered Accountants, of 3/4 Clement's Inn, London WC2, announce that Mr A. E. MULLIS, F.C.A., and Mr H. W. PETHERICK, F.C.A., who have both been in the profession for fifty years, retired from the partnership on June 30th, 1964, but will remain available for consultation. Mr L. C. DODGE, F.C.A., who has been associated with the firm for many years, was admitted to the partnership on July 1st, 1964.

MESSRS ARTHUR ANDERSEN & Co announce that on July 1st, 1964, Mr PETER D. COOPER, F.C.A., was admitted into partnership and Mr FRANK M. DWIGGINS became a principal of the firm.

MESSRS ANNAN, DEXTER & Co and MESSRS THEODORE B. JONES & Co announce that they have entered into association with one another. Mr GORDON N. HUNTER, J.P., F.C.A., will be admitted a partner of MESSRS ANNAN, DEXTER & Co and MESSRS EDWARD BOSTOCK, M.A., F.C.A., G. PATRICK TOWNEND, M.B.E., M.A., F.C.A., and PHILIP J. HUGHES, A.C.A., will be admitted partners of MESSRS THEODORE B. JONES & Co with effect from July 1st, 1964. The two firms will continue their separate practices as hitherto but in addition MESSRS ANNAN, DEXTER & Co will practise from St Andrew's Chambers, 21 Park Row, Leeds 1, and MESSRS THEODORE B. JONES & Co from 21 Ironmonger Lane, London EC2.

Mr C. NORMAN BAKER, F.C.A., announces that with effect from July 1st, 1964, he has been joined in practice by Mr HAROLD G. GRANT, F.C.A. The style of the firm, NORMAN BAKER & PARTNERS, will remain unchanged.

MESSRS BACKER, WINTER & Co, of 229A Shaftesbury Avenue, London WC2, announce that Mr G. C. ZIPRIN, A.C.A., was admitted to partnership on July 1st, 1964.

MESSRS BALL, BAKER, DEED & Co, Chartered Accountants, of 55–61 Moorgate, London EC2, announce that as from July 1st, 1964, they have admitted into partnership Mr REGINALD CHARLES COBDEN, A.C.A., who has been a senior member of their staff for a number of years.

MESSRS BEDELL & BLAIR, Chartered Accountants, of 79 Mosley Street, Manchester 2, announce that Mr ERIC CHILTON SMITH, F.C.A., retired from the partnership on June 30th, 1964. He will in future be available to the firm as a consultant.

MESSRS CALDER-MARSHALL, IBOTSON & BOUND, Chartered Accountants, announce that as from June 25th, 1964, the address of their Redhill office is 140 Station Road, Redhill, Surrey.

MESSRS H. COLLIER & Co, Certified Accountants, announce that their address is now 63 The Broadway, Stratford, London E15. Telephone Maryland 2284.

MESSRS DOUGLAS, WELLS & Co, Certified Accountants, announce that their London office has been transferred from 64 Aldermanbury to 38 Chancery Lane, London WC2.

MESSRS JOHN GORDON, HARRISON, TAYLOR & Co, Chartered Accountants, of 7 Bond Place, Leeds, announce that Mr W. J. A. SMITH, A.C.A., has been admitted into partnership as from July 1st, 1964.

MESSRS HUDSON, CROOKES & Co, Chartered Accountants, of Kent House, 87 Regent Street, London W1, announce that Mr C. P. HUCKSTEP, A.C.A., who has been associated with the firm for some years, has been taken into partnership as from July 1st, 1964. The name of the firm remains unchanged.

MESSRS JONES, ROSS, HOWELL & Co, Chartered Accountants, of Ilford House, 133 Oxford Street, London W1, announce that Mr GRAHAM J. CUSHION, A.C.A., has been admitted into partnership.

MESSRS A. E. LIMEHOUSE & Co, Chartered Accountants, of 24 Market Place, Rugby, announce that Mr E. NORMAN BOOTH, F.C.A., retired from the firm on June 30th, 1964. The style of the firm remains unchanged and Mr BOOTH will be available in a consultative capacity.

MESSRS LORD, FOSTER & Co, Chartered Accountants, of London, announce the retirement from the partnership on June 30th, 1964, of their senior partner, Mr R. H. STEVENS, F.C.A., after an association with the firm of nearly fifty years. He continues to be available in a consultative capacity. Mr M. O. PENNEY, A.C.A., has been admitted to the partnership with effect from July 1st, 1964.

MESSRS ALBERT RIES & Co, Certified Accountants, announce that as from June 24th, 1964, their address is 109 Fenchurch Street, London EC3. Telephone Royal 5306.

MESSRS RIVINGTON, LAWRENCE & Co, Chartered Accountants, of 107 Princess Road, Leicester, announce that on June 30th, 1964, Mr GEORGE W. H. GLOVER, F.C.A., retired from the partnership and will in future practise under his own name from the above address. As from July 1st, 1964, the remaining partners, Messrs HAROLD RIVINGTON, F.C.A., and FRANK W. KNIGHT, F.C.A., have effected a fusion of their interests

ment on the resolution will those in favour please raise their hands? Will those against the motion please raise their hands? It has obviously been carried *nemo contra*.

We now pass to resolution No. 2. I propose that resolution No. 2 as amended and passed at the special meeting held on May 6th, 1964 (a copy of which resolution has been produced to this meeting and for identification signed by me as chairman hereof), be hereby confirmed.

The Vice-President: I second the motion.

Mr D. M. Clement, F.C.A. (London): Mr President, may I just have one word. It may be recalled, sir, that I spoke against this motion at the special meeting when it was approved by the majority present as you have already recorded, and in the circumstances I would not oppose the motion on this occasion as members have expressed their wishes on the subject.

Nevertheless because time was so short at the last meeting, there was no opportunity to hear the Council's views on these proposals which, with the requirement of service up to the age of 31 before anyone could take the diploma examination will, as I put forward the view, be unattractive to most young men other than, if I may be excused for using the term, examination cranks. Furthermore, sir, it will be of little value to the employer as a means of judging technical ability. By the age of 31 I would think that most employers will have summed up their man fairly satisfactorily and it does not appear to me that this diploma examination will enhance the reputation and standing of the Institute as a professional body. Therefore, I think it would be helpful to myself, and possibly to other members present, to know the views of the Council and in particular why they thought this particular examination was desirable, particularly bearing in mind that, as far as I know, there is no other professional body which calls for an examination course which carries on to the age of 31.

The President: As I understand it, the question is really 'Why a joint diploma?' I would have thought that the Council of the Institute made its position fairly clear in the statement published at the time the joint diploma was announced. We are setting up a scheme for a Certificate in Management Information which does not carry any designatory letters. Our feeling about that was that we wanted to encourage the young man immediately after qualification, or soon after qualification, to continue his studies.

The joint diploma scheme is, of course, a joint scheme with five participating bodies. We can see value in this for the really experienced man. It is not to our mind aimed at the young man immediately after qualifying. It is a diploma to be taken at a later stage, and we can see considerable value in it for certain people. It is therefore something we felt we should quite properly support. As I said initially, we can see far greater immediate value to a larger number of our members in the Certificate in Management Information, but nevertheless there is value in the joint diploma to a smaller number. I think that sums up our views.

Mr Clement: I would like to make it clear that I entirely support the view of the Institute in developing the management accounting course and qualification. Indeed, I think the certificate is on the right lines, but my worry is that as an employer of rather a large number of people in the management accounting field, I fail to see how it will interest people in industry; there may be other particular classes of which I am not aware.

The President: Will those in favour of the motion please raise their hands? Those against? None against; so that is carried.

Resolutions No. 3 and No. 5 were carried without comment and without dissent, and the President then thanked members for their attendance and formally closed the meeting.

FINDINGS AND DECISIONS OF THE DISCIPLINARY COMMITTEE

Findings and Decisions of the Disciplinary Committee of the Council of the Institute at hearings held on June 3rd, 1964

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Sydney Baker, A.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of Clause 21 of the supplemental Royal Charter in that (*a*) he failed within a reasonable time or at all to satisfy a judgment debt amounting to £128 together with a sum of £8 8*s*, being costs, obtained against him; (*b*) notwithstanding statements which he made to an Under-Secretary of the Institute in letters dated June 16th, 1960, and September 3rd, 1962, to the effect that, in accordance with the advice of the Secretary, he had fully dissociated himself from a certain company, a complaint had been received from a firm of solicitors, alleging that during the year 1962 a client of theirs paid to the said Sydney Baker £260 at the rate of £5 a week in his capacity in respect of that company and that the said client had been served with various Court processes because he had not paid accounts in respect of which the said Sydney Baker had received the money, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Sydney Baker, A.C.A., had been proved under both headings and the Committee ordered that Sydney Baker, A.C.A., of 5 Newton Street, Manchester 1, be reprimanded.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that David Cecil Worsley, F.C.A., was at the Assizes held at Lancaster on January 28th, 1964, convicted upon an indictment for committing an indecent act and was ordered to be imprisoned for twelve months, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against David Cecil Worsley, F.C.A., had been proved and the Committee ordered that David Cecil Worsley, F.C.A., of 2 Vicarage Lane, Wilpshire, Blackburn, be suspended from membership of the Institute for the period of one year.

admitted to membership under clause 23 of the supplemental Royal Charter.

It was reported to the Council that the following re-admission, made at the Council meeting on June 3rd, 1964, subject to payment of the amount required, had become effective:

Plater, James Robert, A.C.A., *a*1953; Torvue Café, Bovey Tracey, South Devon.

Admissions Void

The Secretary reported that the admissions to membership of the following persons had become void under bye-law 40:

Adelusi, Michael Ojo, B.SC.(ECON.), 51 Elgin Mansions, Elgin Avenue, London W9.

Cundall, David, 37c The Avenue, Beckenham, Kent.

Resignations

The Council accepted the resignations from membership of the Institute of:

Brows, Arthur Stanley, F.C.A., *a*1915; 134 Harestone Hill, Caterham, Surrey.

Mann, Arthur Rudolf Harrington, M.A., F.C.A., *a*1932; 'Greenacres', Dean, Bishop's Waltham, Southampton.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Reginald Stanley Jonas Briggs, F.C.A., Shipley, Yorks.
,, Alfred Broomer, F.C.A., Holland-on-Sea.
,, Gilbert Walker Crampin, A.C.A., Grimsby.
,, Fergus Ferguson, A.C.A., Liverpool.
,, William Royce Frost, F.C.A., Totnes.
,, Sydney George Hackett, F.S.A.A., London.
,, Donald Hazeldine, B.A., LL.B., F.C.A., Epsom.
,, George Kenneth Lockwood, F.C.A., Sheffield.
,, Harry Lubbock, F.C.A., London.
,, Lawrence Binet Randall, F.C.A., Purley.
,, Walter Percy Thomas, F.C.A., Hampton, Middlesex.
,, Graham George Thompson, B.A., F.C.A., London.
,, Richard Townson, F.C.A., Ilkley.
,, Walter Hugh Wilks, F.C.A., Watford.

SPECIAL CONFIRMATORY MEETING

A special meeting of members of The Institute of Chartered Accountants in England and Wales was held in the Hall of the Chartered Insurance Institute on July 1st. The President, Mr W. Guy Densem, F.C.A., was in the chair; with him on the platform were the Vice-President, Mr Robert McNeil, F.C.A., and the following Past Presidents – Mr W. L. Barrows, LL.D., F.C.A., Mr P. F. Carpenter, F.C.A., Sir William Carrington, F.C.A., Mr P. F. Granger, F.C.A., Mr S. John Pears, F.C.A., Sir Thomas Robson, M.B.E., M.A., F.C.A., Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A. – with Mr C. A. Evan-Jones, M.B.E., Joint Secretary.

The President: This special meeting is for the purpose of confirming resolutions Nos. 1, 2, 3 and 5 which were passed at the special meeting held on May 6th, 1964. The resolutions are reproduced on pages 2 and 3 of the notice calling this meeting (*see panel – Ed.*).

> **PURPOSE OF RESOLUTIONS**
>
> The main purpose of the resolutions was to amend the supplemental Royal Charter and bye-laws to enable the Institute:
>
> (1) to implement the Council's intentions relating to schemes for a Certificate in Management Information and for a Joint diploma in Management Accounting Services;
>
> (2) to introduce a system of proxy voting in place of the present postal ballot procedure and to increase, in accordance with the current requirements of the Privy Council, the minimum period of notice for convening meetings of the Institute.
>
> **Results of the Voting**
>
> at the Special Meeting of the Institute held on May 6th, 1964.
>
> | | | |
> |---|---|---|
> | Resolution No. 1. | Passed without dissent | |
> | 2. | 158 for | 14 against |
> | 3. | 162 for | 3 against |
> | 4. | 166 for | 2 against |
> | 5. | Passed without dissent. | |

At the special meeting on May 6th, these resolutions obtained more than the majority required by clause 30 of the Supplemental Royal Charter. The results of the voting at that meeting are shown on page 3 of the notice (*see panel – Ed.*).

Before I formally move the first resolution I should like to draw members' attention to advice which the Institute received in a letter dated June 10th, 1964, from the Clerk to the Privy Council.

Shortly, this was to the effect that (*a*) whilst the Privy Council would be prepared to give approval to the use of designatory letters in the case of the Joint Diploma in Management Accounting Services proposed in resolution No. 2 as being an exceptional case and on the understanding that the Diploma will be of a very high standard now and in the future; on the other hand (*b*) their lordships would not agree to *carte blanche* power being given to use designatory letters in respect of any future diplomas etc.

In order to meet the wishes of the Privy Council, clause 14A will be amended by the addition of the following sentence at the end of the clause:

'Notwithstanding the foregoing, no designatory letters shall be used in connection with any such scheme as aforesaid unless such use shall have been expressly approved by the Lords of Our Privy Council.'

However, at this meeting our task is to confirm the resolution as passed at the special meeting on May 6th. The amendment which I have given to you just now will, as required by the Privy Council, be accepted by your Council under the powers conferred in resolution No. 5 which itself is subject to confirmation at this meeting.

I now formally move that resolution No. 1 passed at the special meeting held on May 6th, 1964 (a copy of which resolution has been produced at this meeting and for identification signed by me as chairman hereof), be hereby confirmed.

The Vice-President: I second the motion.

The President: If no one wishes to make any com-

Incorporated Accountant Member becoming an Associate

The Council acceded to an application from the following incorporated accountant member for election as associate under clause 6 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter:

Green, Malcolm, A.S.A.A., *a*1961; with Price Waterhouse & Co, 31 Mosley Street, Newcastle upon Tyne 1.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Bedworth, William Douglas, A.C.A., *a*1964; Moore, Bedworth & Co, Alliance House, Cross Street, Barnstaple, North Devon.

Brewin, Sydney, F.C.A., *a*1953; Arthur Daniels & Co, 14 North Street, Havant, and at Fareham, Gosport and Southsea.

Brown, Charles Roy, A.C.A., *a*1962; Royce, Peeling, Green & Co, 18 Lloyd Street, Manchester 2.

Brown, Peter Henry, A.C.A., *a*1958; P.O. Box 364, Kingston 10, and 7 Broadway Road, Kingston 8, Jamaica.

Butler, Richard Pierce, A.C.A., *a*1963; Charles Wakeling & Co, Painters Hall, 9 Little Trinity Lane, London EC4.

Clarke, John, A.C.A., *aS*1954; *C. D. Lowe & J. Clarke, 8 New Street, Burton-on-Trent.

Cohen, Alan Peter, A.C.A., *a*1962; Alan Cohen & Co, 42/50 Bridge Street, Glasgow, C5.

Coombes, Michael John, A.C.A., *a*1958; Goddard, Mellersh & Lepine, 7 Warwick Court, Gray's Inn, London WC1, and at Guildford.

Cousins, Kenneth John, A.C.A., *a*1963; *A. C. F. Hadwicke & Co, 4 Belle Vue, Weymouth.

Curtis, John Ernest, A.C.A., *a*1958; Jones, Hutchinson & Co, Seaton Buildings, Jameson Street, Hull.

Davey, Ronald John, A.C.A., *a*1961; Parrott & Grover, 38 Market Square, St Neots, Hunts.

Dewey, Arthur Cyril, F.C.A., *aS*1953; 111 Glapton Road, Nottingham.

§Enos, Benjamin, A.S.A.A., *a*1958; ††Pannell, Fitzpatrick, Graham & Crewdson, Valley View, Farrar Avenue (P.O. Box 1219), Accra.

Enticknap, Gay Douglas, A.C.A., *a*1958; *Passmore & Tolputt, Market Chambers, Onslow Street, Guildford, Surrey, and at Lingfield.

Eve, Anthony Richard Wynniatt, A.C.A., *a*1960; *Cooper Brothers & Co, and *Coopers & Lybrand, P.O. Box 1993, 381 Takhte Jamshid Avenue, Tehran, Iran.

Everett, Richard Anthony Sharman, A.C.A., *a*1963; 42 Lynn Road, Downham Market, Norfolk.

Fine, Anthony Gordon, A.C.A., *a*1961; 51 Elizabeth Road, Moseley, Birmingham 13.

Flanagan, David Anthony, A.C.A., *a*1964; Hartland, Flanagan & Co, Tudor House, Bridge Street, Walsall, and at Streetly.

Fox, Barrie Normanton, A.C.A., *a*1963; *Cyril Fox & Co, 1 Copthall House, Station Square, Coventry.

Garner, Peter John Ernest, F.C.A., *a*1950; *Alfred Neill & Co, Westminster Bank Chambers, 196/198 Stoke Newington High Street, London N16.

Godwin, Hilary Edward, A.C.A., *a*1963; Jas W. Elliott & Co, 2 Station Road, Ilford, Essex; also at Grays, Elliott, Mortlock & Co and Romford, Elliott, Mortlock, Peak & Co.

Henderson, John James, F.C.A., *aS*1938; 273 Hillmorton Road, Rugby.

Jennings, Adrian Rodney, F.C.A., *a*1952; 13 Village Way, Dulwich, London SE21.

Jones, William Russell, A.C.A., *a*1958; 12 Barnfield Road East, Davenport, Stockport.

Lawton, Peter Arnold, A.C.A., *a*1964; 47 Hayes Street, West Bromwich, Staffs.

Lester, Lawrence, A.C.A., *a*1961; Stones & Co, 104/105 Abbey Street, Nuneaton, and at Hinckley.

Lewis, (Miss) Patricia, A.C.A., *a*1961; †Grace, Darbyshire & Todd, 19 Whiteladies Road, Clifton, Bristol 8.

Murfitt, William Kay, A.C.A., *a*1964; John Stansfield, Westmore & Co, 68 Albert Road, Colne, Lancs; also at Nelson, T. M. Threlfall & Murfitt.

Paynter, Patrick John, A.C.A., *a*1958; Herbert Hill & Co, 552/555 Salisbury House, London Wall, London EC2, and at Basildon.

Rawlings, Robin Ian, A.C.A., *a*1958; †Peat, Marwick, Mitchell & Co, 29 Beach Street (P.O. Box 349), Penang, Malaysia, and at Ipoh, Jesselton, Kuala Lumpur and Singapore.

Shah, Navinchandra Chhaganlal, B.SC.(ECON.), A.C.A., *a*1962; Patel, Shah & Joshi, P.O. Box 546, Kampala, Uganda, and at Jinja, Masaka and Mbale, Uganda and Bukoba and Mwanza, Tanganyika.

Shankardass, Yoginder Kumar, A.C.A., *a*1959; *S. P. Chopra & Co, 15A Horniman Circle, Bharat Insurance Building, Bombay 1, and at New Delhi.

Shiatis, Michalakis Avraam, A.C.A., *a*1962; Reeves Young & Shiatis, 8 Lawrence Pountney Hill, Cannon Street, London EC4.

Smith, Gordon Chester, A.C.A., *aS*1954; *Sochall, Smith & Co, White Horse Buildings, White Horse Street, Boar Lane, Leeds, 1.

Sugarman, Maurice, A.C.A., *a*1964; 50 Woodland Court, Dyke Road Avenue, Hove 4, Sussex.

Talfourd-Cook, Brian, A.C.A., *a*1960; Cook, Sutton & Co, Orbit House, 64/65 St Mary's Butts, Reading, and at Nairobi.

Toogood, Dennis Victor, A.C.A., *a*1963; 11 Burleigh Gardens, Penn Lea, Bath.

Wooldridge, Leslie, A.C.A., *a*1959; 82 May Road, Twickenham, Middlesex.

Admission to Membership under the Scheme of Integration

The Council acceded to one application for admission to membership of the Institute under clause 5 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter.

Re-admission to Membership

Subject to payment of the amounts required by the Council, two former members of the Institute were re-

---

a Indicates the year of admission to the Institute.

aS Indicates the year of admission to The Society of Incorporated Accountants.

§ Means 'incorporated accountant member.'

Firms not marked †, ††, or * are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

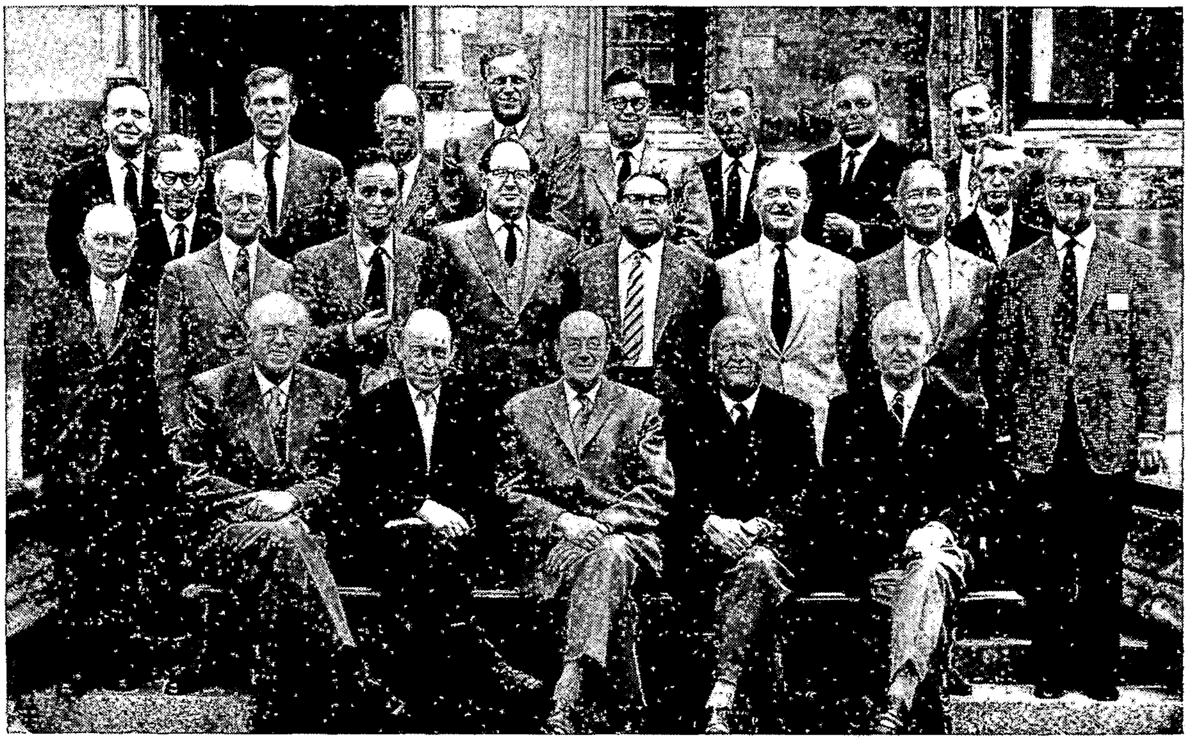
†† Against the name of a firm indicates that the firm includes an incorporated accountant member of this Institute and is composed wholly of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

female person is employed, then the latter need not be resident (*Barentz v. Whiting* (*The Times*, July 1st)).

Another point decided was as to the precise meaning of 'charge and care'. The claimant, Mrs Whiting, was in employment and she paid a Mrs Allen some £3 a week for work in the morning consisting of washing up, making the beds of Mrs Whiting's two school-age daughters, and preparing the daughters' lunch or evening meal in advance. When the daughters were on holiday Mrs Allen got them up, gave them breakfast, prepared their lunch, and looked after them until their mother returned home. Mrs Allen did not supervise their homework, but was very interested in them and very attached to them. Sometimes she took them to her own home and was then paid hourly for looking after them.

The Court held that 'charge and care' did not require residence. The charge and care need neither be exclusive nor full time. 'Charge' meant responsibility for control; 'care' meant responsibility for attending to the child's needs. What Mrs Allen did while the children were actually at school constituted care which fell short of establishing that she had 'charge and care'. During her hours of employment, however, she had a continued responsibility for the children. She was employed for the purposes of having the charge and care of them during her hours at Mrs Whiting's house even though, as long as they were not ill, they were at school. It was only because of the assurance that the children would be looked after if ill or on holiday that Mrs Whiting was able to continue her business occupation. Her claim was allowed.



Some personalities at the Oxford Summer Course of The Institute of Chartered Accountants in England and Wales held last week-end. The first part of one of the papers presented at the course appears elsewhere in this issue.

Front row (*left to right*): Mr L. W. Robson, F.C.A., *member of Courses Committee;* Mr E. M. James, *Steward of Christ Church;* Mr W. Guy Densem, F.C.A., *President of the Institute;* Brig. R. E. Bagnall-Wild, C.B.E., M.A., *Treasurer of Oriel College;* Mr J. H. Mann, M.B.E., M.A., F.C.A., *Chairman, Courses Committee.*

Second row (*left to right*): Mr R. D. R. Bateman, M.B.E., F.C.A., *Leader, Group A;* Mr N. D. Robinson, *Courses Clerk;* Mr L. W. Shaw, B.SC., F.C.A., *Speaker;* Mr R. W. Meynell, F.C.A., *Leader, Group B;* Mr B. W. Sutherland, F.C.A., *Leader, Group H;* Mr E. C. Sayers, F.C.A., *Leader, Group K;* Mr E. T. Shepherd, F.C.A., *Leader, Group M;* Mr M. C. Ashill, F.C.A., *Under-Secretary;* Mr D. P. Hubbard, B.A., *Assistant Secretary;* Mr D. F. Jewers, F.C.A., *Leader, Group G.*

Back row (*left to right*): Mr R. Edwardes, F.C.A., *Speaker;* Mr K. J. Sharp, T.D., M.A., J.P., F.C.A., *Leader, Group D;* Mr G. N. Hunter, J.P., F.C.A., *Speaker;* Mr J. M. Harrison, T.D., M.A., F.C.A., *Leader, Group C;* Mr D. P. Burrell, F.C.A., *Leader, Group E;* Mr W. G. Palmer, F.C.A., *Leader, Group J;* Mr G. A. Holmes, F.C.A., *Assistant Editor of 'Accountancy';* Mr K. A. Buxton, F.C.A., *Leader, Group L.*

WHO OWNS WHOM

THE 1964 United Kingdom edition of *Who Owns Whom*, now available price £8 post free U.K. through booksellers or from the publishers O. W. Roskill & Co (Reports) Ltd, 14 Great College St, London SW1, has been enlarged to cover 46,000 entries as against 39,000 in the previous edition.

The big change this year is the publication of the addresses in abbreviated form of all parent and most United Kingdom operating subsidiary companies listed. In the past, users have had to seek addresses in other directories and there is no doubt that by giving this information the value of *Who Owns Whom* has been further substantially enhanced. The listing of private companies, started in the 1963 edition, continues and a number of important well-known groups have been added. Last autumn it was decided to produce quarterly supplements and four quarterly supplements are offered with the new edition at £1 the set, post free.

It is now seven years since the United Kingdom edition of *Who Owns Whom* first appeared and, of course, there has since been added a Continental edition. The aim of the publishers has been continuously to improve the contents and in this they have succeeded so completely that the directory is now well established as an indispensable work of reference.

This is My Life . . .

by An Industrious Accountant

CHAPTER 233

I DON'T seem to see much of our auditors these days, not nearly so much as I used to in the past. This worries me, rather. Our directors see even less of them, which again is hardly the ideal arrangement. Yet there was a time when their annual year-end visit was all important.

On arrival they come to exchange the usual formal courtesies, their senior affable and assured, the juniors outwardly deferential but even more assured beneath the surface. Their quickest flash of interest during our discussion, indeed, was when the pretty waitress brought in the coffee and biscuits, and all the heads turned together . . . well, the last generation reacted in similar style, so no complaints. But it's the senior, not the juniors, who disquiets me.

Perhaps it's because he's so obviously looking backwards to last year all the time. To me, the results for 1963 are of little more interest than those for 1953; his urge to analyse the repairs and renewals account for those long-dead months seems vaguely unreal. I'm thinking of 1964's profits; his mental target seems to be the copy trial-balance gummed to the inside cover of the private ledger. True, he inquires courteously about the trading trends, but his interest is perfunctory; our price-slashing of T-shirts and sunsuits following that fortnight of drizzle and gloom leaves him unmoved. The juniors hazard a query about the demand for those new swim-suits, but their interest, while not perfunctory, is also not professional.

Yet the standard of these modern auditors is probably higher than it has ever been. They are intelligent, alert, scrupulous, and far better-briefed that we were in the past. The improved contents of today's journals, the discussions on television, the faster daily tempo, all have paid dividends. They can talk about auditing in depth, and E.D.P., and take-over financing, and smile at the Kingston Cotton outlook . . . why then are they disappointing?

Perhaps it's because they proffer nothing constructive. They find some minor miscalculations, some looseness in stock-checking, but the difference is trifling. But then, our accounts follow a routine pattern . . . it's ridiculous to expect them to suggest a dynamic new approach that will save us hundreds – like that consultant wanted to last month; but then consultants are different.

I show the senior our new five-year forward outlook, which is my own ewe lamb, with the staff commission arrangement, the drive-in extension and the customers' café-bar. He hardly glances at it . . . ridiculous to expect him to suggest something revolutionary, like taking over the hotel on the corner. After all, five years ahead is just guess-work.

As he checks the private salaries book I ask him about rates of remuneration locally for accountants, as I've been worried over our two recent resignations. Perhaps my men are marginally underpaid. I don't expect confidential disclosures, but he must have gained considerable knowledge of the general picture, I feel. Maybe he has, but he doesn't admit it. He is rather vague, and doesn't offer to investigate. Admittedly the query is outside his brief, but he makes me feel I've dropped a brick. I wonder whether he knows but won't tell, or doesn't know because he's never got around to studying comparative figures. Perhaps at each new audit he can forget the previous one . . . from the table of his memory wipe away all trivial fond records . . . ridiculous to expect him to extract a little black book with coded statistics and warn me to jack-up my pay-scales or lose valuable staff. Perhaps I'm just being a pernickety nuisance to him.

Perhaps that's how the image of the auditors has become tarnished – when they ceased to meet clients' needs, because these needs were nuisances.

Reviews

Accountant's Handbook of Formulas and Tables

by LAWRENCE LIPKIN, C.P.A., IRWIN K. FEINSTEIN, PH.D., and LUCILE DERRICK, PH.D. (Prentice-Hall International, London. £6.)

This is a truly monumental work. Most accountants have a copy of *Inwoods Tables* on their shelves and refer to them with surprising frequency. It is possible to forecast that this book should achieve a status no less desirable.

There are tables of simple and compound interest and of annuities, depreciation formulae, inventory estimation methods and statistical formulae or error, mean, index numbers and time series.

Of especial interest to those with views on the importance of the subject will be the price-level adjustment tables; while there are also formulae of marketing prices, cost and production levels, and ratio analysis.

Each series has a section giving examples of the formulae in practice and the book ends with a chapter on the fundamentals of algebra and a complete set of logarithmic tables.

Basic Accounting Procedures

by WILLIAM NIVEN, M.B.A., C.P.A., and ANKA OHMAN M.A. (Prentice-Hall International, London. 40s.)

This is a workmanlike book by two lecturers in accounting at the San Francisco State College, starting with an explanation of final accounts and a demonstration of their purposes and leading from this platform to a consideration of the detailed accounting procedures necessary to enable such accounts to be prepared.

The book is not intended, say the authors, for the training of accountants, but for book-keepers, clerks, machine operators (and in particular, dental and medical assistants and engineering technicians!) For that reason no lofty accounting principles are laid down, but the need for orderly methods of recording and posting data is emphasized, while the purposes of internal control are well stated.

There are some interesting chapters on closing-off procedures, working papers and simplified systems, including some examples of extended trial balances; which prompt one to wonder why many accountants still ignore such obvious aids to their routine work. There are good examples and well-selected questions for checking the student's progress.

For the non-American reader, perhaps the greatest interest in this book lies in the means it affords of comparing and contrasting the approach to accounting in different countries, but (except for the chapter on payroll and other U.S. taxes) the observations of the authors are extremely relevant to all accounting and not just in the U.S.A.

There would be no harm and much good to be obtained by any Intermediate student reading this book as a means of achieving a wider approach to his subject, and becoming acquainted with its thoroughly sound methods of checking routine preparation.

The Efficiency Experts

by LAURA TATHAM. (Business Publications Ltd, London. 36s net.)

A technical journalist, Miss Laura Tatham, has just completed this impartial review of management consultancy which takes in the activities of firms of all kinds, both good and bad, ethical and unethical. Accounting firms with links in the consultancy world receive words of encouragement and the English Institute some exhortation.

Her assessment of management consultants is reasoned and fair and her material original. But above all Miss Tatham has produced a valuable book which is also fun to read. Her services should be in great demand in the future, doing for other professions what she has done for management consultants. An approach of this kind could well be a better way of getting the public image of the accountancy profession raised than any number of reports by committees.

The book should be read by accountants on the practising and non-practising sides of the profession on its merits – and because few accountants can avoid occasional contacts with management consultants and their clients. It could also have some private message for members of the profession upon how to be good consultants to clients without falling into the mistakes made by others.

RECENT PUBLICATIONS

ECONOMICS: AN INTRODUCTORY ANALYSIS, sixth edition, by Paul A. Samuelson, Professor of Economics, Massachusetts Institute of Technology. xxii+838 pp. 9½×6½. 62s. McGraw-Hill Publishing Co Ltd, McGraw-Hill House, Shoppenhangers Road, Maidenhead, Berks.

TRAINING WITHIN THE ORGANIZATION, by David King, xxii+274 pp. 9×6. 38s net. (U.K. only). Tavistock Publications, London.

PERIOD PLANNING AND BUDGETARY CONTROL, by E. C. D. Evans, B.SC.(ECON.), F.A.C.C.A., A.C.I.S., A.M.B.I.M., Pillars of Management Accounting Series, Volume 1, vii+76 pp. 8×5½. 10s 6d net. Macdonald & Co (Publishers) Ltd, London.

COST CONTROL, by E. C. D. Evans, B.SC.(ECON.), F.A.C.C.A., A.C.I.S., A.M.B.I.M., Pillars of Management Accounting Series, Volume 2. vii+92 pp. 8×5½. 12s 6d net. Macdonald & Co (Publishers) Ltd, London.

DIRECTORY OF OPPORTUNITIES FOR QUALIFIIED AND EXPERIENCED MEN 1964–65. 160 pp. 8+5½. 12s 6d. Distributed for Cornmarket Press Ltd by C. A. Watts & Co Ltd, London.

These books may be obtained from, or through, Gee & Co (Publishers) Ltd, The City Library, 151 Strand, London WC2.

Finance and Commerce

Courtaulds

THE accounts of Courtaulds Ltd, which form this week's reprint, are an excellent example of modern shareholder reporting. They provide the detailed view essential in an organization with such widespread interests.

The Analysis of Profit statement is tied in with comment under each separate heading in the main body of the directors' report, in which a description of the year's development and comment on new developments is provided, along with trading profits for each division for the year under review and for the previous two years.

The reporting on sales, however, is restricted to a total group sales figure which is broken down into home sales in the United Kingdom, exports from the United Kingdom and sales by overseas subsidiaries. It is probably asking too much for sales figures for the various divisions in the group but, with the marked improvement in the standard of the Courtaulds' accounts which has been seen over the past few years, sales figures by divisions might be a matter for future consideration.

All figures in the Courtaulds' accounts, it will be seen, are approximated to thousands and the accounts are given a clean look by omitting the three noughts and by making the approximating clear at the head of each column. Although the notes are not numbered and keyed to the accounts, an effort has been made to place each note alongside the relevant account entry. An 'overflow' of notes does occur, however, as can be seen from the reprint on page 83.

Parting Company

These are the last accounts Courtaulds will issue before the scheme with Imperial Chemical Industries is put into effect. By reason of its abortive take-over attempt, I.C.I. now holds about 37½ per cent of Courtaulds' ordinary capital while Courtaulds and I.C.I. each hold one-half of the shares of British Nylon Spinners.

The aim of the scheme is that I.C.I. should give up its ordinary stockholding in Courtaulds and Courtaulds should give up its half-share in British Nylon Spinners. The arrangements are that Courtaulds will agree to the cancellation of its shares in British Nylon Spinners and will receive an interim dividend of £1,875,000 gross from that company for the year to December 31st, 1964. I.C.I. will agree to the cancellation of its ordinary stock in Courtaulds and will pay Courtaulds a capital sum of £2 million as soon as the arrangements come into operation and a further £2 million on the corresponding date in each of the next four years.

COURTAULDS LIMITED AND SUBSIDIARIES

SUMMARY OF RESULTS

	Year ended 31st March 1964	1963
	£000	*£000*
Sales	227,710	*185,432*
of which Home Sales in United Kingdom	135,483	*112,437*
Exports from the United Kingdom	37,614	*25,655*
Sales by Overseas Subsidiaries	54,613	*47,340*
Profit before 7% Loan Interest and Tax	36,130	*26,419*
Less Interest on 7% Loan Stock	2,771	*2,771*
Profit before Tax	33,359	*23,648*
Attributable to Courtaulds after Tax	16,582	*12,854*
Dividends Preference	622	*601*
Ordinary	9,936	*7,514*
Profit Retained	6,024	*4,739*
Earned per £1 unit of Ordinary Stock (gross)	6s 5d	*5s 0d*
Dividends per £1 unit of Ordinary Stock (gross)	4s 0d	*3s 1d*
Expenditure on Fixed Assets	15,273	*12,463*
Depreciation	9,684	*8,394*

COURTAULDS LIMITED AND SUBSIDIARIES

ANALYSIS OF PROFIT 1963/64

	Year ended 31st March 1964 £000	1964 £000	1963 £000	1963 £000
Fibres and Related Activities				
Viscose Rayon	15,936		*12,694*	
Acetate	5,912		*5,112*	
Synthetic Fibres	1,503		*110*	
Weaving	505		*24*	
Garments	847		*527*	
	24,703		*18,467*	
Other Trading Activities				
Packaging	4,159		*4,029*	
Paint	1,810		*1,499*	
Engineering	2,056		*1,038*	
	8,025		*6,566*	
	32,728		*25,033*	
Less Central Expenses	2,993		*3,464*	
Trading Profit		29,735		*21,569*
Trade Investments				
British Nylon Spinners	4,500		*3,000*	
Other Fibre Investments	663		*323*	
Other Trade Investments	241		*210*	
	5,404		*3,533*	
Other Investments				
Courtaulds Investments Limited	1,230		*1,564*	
Other Interest	732		*656*	
	1,962		*2,220*	
Investment Income		7,366		*5,753*
		37,101		*27,322*
Less Interest Payable		3,742		*3,674*
Profit before Tax		33,359		*23,648*

COURTAULDS LIMITED AND SUBSIDIARIES

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31st March 1964

	1964	1963
	£000	£000
Sales	227,710	185,432
Trading Profit	29,735	21,569
Investment Income	7,366	5,753
	37,101	27,322
Less Interest payable	3,742	3,674
Profit before Tax	33,359	23,648
Less Taxation	15,748	9,656
Minority Interests	1,029	1,138
Attributable to Courtalds Limited	16,582	12,854
Less Preference Dividends (less tax)	622	601
Attributable to Ordinary Stockholders	15,960	12,253
Appropriated as follows		
Ordinary Dividends (less tax)		
Interim 1s 3d per £1 Unit on £79·914m (1963 1s 1d on £79·577m)	3,059	2,640
Final 2s 9d per £1 Unit on £81·652m (1963 2s 0d on £79·577m)	6,877	4,874
	9,936	7,514
Profit retained	6,024	4,739
Transferred to Capital General Reserve by:		
Subsidiaries	4,244	3,436
Courtaulds Limited	1,780	1,303

Notes to explain items in the Group Profit and Loss Account and the Balance Sheets are on the facing pages or on pages [83]

NOTES

	1964	1963
	£ 300	£ 000
Trading Profit		
Depreciation provided	9,684	8,394
Investment Income		
Trade Investments	5,404	3,533
Courtaulds Investments Limited—see page* (1963 includes income received by other group companies)	1,230	1,564
Other Interest	732	656
	7,366	5,753
Interest payable		
Interest on 7 per cent Unsecured Loan Stock	2,771	2,771
Debenture and Other Interest payable	971	903
	3,742	3,674
Taxation after benefit of £2·002m from investment allowances (1963 £1·302m)		
UK Profits Tax	2,723	1,504
UK Income Tax based on profit for the year	8,806	5,662
Taxation Abroad	2,412	1,166
	13,941	8,292
Add Taxation deferred	1,807	1,364
	15,748	9,656
Attributable to Courtaulds Limited	16,582	12,854
Less Retained in the accounts of Subsidiaries	4,244	3,436
Amount dealt with in the accounts of Courtaulds Limited	12,338	9,418
Preference Dividends (less Tax)		
5 per cent Cumulative First Preference Stock—paid and accrued	245	245
6 per cent Cumulative Second Preference Stock—paid and accrued	377	356
	622	601

COURTAULDS LIMITED AND SUBSIDIARIES

GROUP BALANCE SHEET

31st March 1964

		1964	1963
		£000	£000
Capital Employed	**Preference Capital**	18,562	17,683
	Ordinary Capital	81,519	79,577
	Reserves	76,802	62,948
	Relating to Courtaulds Limited	176,883	160,208
	Minority Interests	11,700	9,769
	Loan Capital	48,033	47,013
	Future Taxation	25,764	21,885
		262,380	238,875
Employment of Capital	**Land, Buildings, Plant and Equipment**	139,794	129,182
	Courtaulds Investments Limited	36,150	38,700
	Trade and Other Investments	36,377	22,156
	Fixed Assets	212,321	190,038
	Current Assets		
	Stocks	52,103	44,710
	Debtors	43,102	30,836
	Deposits	3,294	9,061
	Cash	6,480	5,026
		104,979	89,633
	Current Liabilities		
	Creditors	32,470	24,441
	Advance	2,145	3,600
	Overdrafts	3,722	1,682
	Provisions	7,441	4,000
	Dividends	9,142	7,073
		54,920	40,796
	Net Current Assets	50,059	48,837
		262,380	238,875

Notes to explain items in the Group Profit and Loss Account and the Balance Sheets are on the facing pages or on pages [83]

NOTES

	1964	1963
	£000	£000
Loan Capital		
7 per cent Unsecured Loan Stock 1982/87	39,589	39,589
Secured Loans	6,315	4,453
Unsecured Loans	2,129	2,971
	48,033	47,013
Future Taxation		
UK Income Tax based on profit for the year	7,865	4,894
Taxation deferred by Accelerated Depreciation Allowances	17,899	16,991
	25,764	21,885
Courtaulds Investments Limited—see page*		
At cost (1963 less amount provided £0·436m)	36,150	38,700
Trade and Other Investments		
Trade Investments at cost, including £18·5m (1963 £11m) of scrip issues by British Nylon Spinners Limited at par value, less amounts provided £2·452m (1963 £2·513m)	35,768	21,921
Other Investments—quoted at cost (market value £0·376m)	360	
—unquoted at cost	249	235
	36,377	22,156

Debtors include £5·25m of a long term nature

Deposits represent short term investment in Tax Reserve Certificates and Money on Deposit

Advance by British Nylon Spinners Limited

Overdrafts secured £0·578m (1963 £0·829m)

	1964	1963
Provisions		
For Taxation	6,312	2,883
For Co-Partnership Benefit	750	700
Towards Senior Executives' Pensions	379	417
	7,441	4,000

* Not reproduced. – Editor

I.C.I. will receive the final dividend on its Courtaulds holding for the year to March 31st, 1964, and the last of the three annual distributions of capital profit of 6*d* per stock unit. The cost of the arrangements will be shared between Courtaulds and I.C.I.

Commercial Assessment

Sir Dallas Bernard, chairman of Courtaulds, says that in evaluating the terms of the deal, the commercial assessment of the proposals was given more weight than mere comparisons of past earnings and dividend figures and the market price of Courtaulds stock from time to time. Baring Brothers & Co, who advised Courtaulds, and J. Henry Schroder Wagg & Co, who advised I.C.I., consider the arrangements 'fair and equitable'.

Although commercial assessment rather than earnings and dividends were given the greater weight, Sir Dallas comments that had the proposals been carried through prior to March 31st, 1963, the effect of the disappearance of the British Nylon Spinners dividend on the one hand and the reduction of the ordinary capital on the other would have been to produce a dividend of 3*s* 10*d* per £1 stock unit of the reduced ordinary capital in place of the 3*s* 1*d* per unit actually paid.

Similarly, for the year to March 31st, 1964, the total dividend recommended of 4*s* per unit would have been equivalent to 4*s* 8*d* per unit on the reduced ordinary capital.

Courtaulds Investments

Stated separately in the Courtaulds report (and not included in our reprint) are the accounts of Courtaulds Investments Ltd. This company was formed at the height of the take-over battle with I.C.I., the object being to put non-trading assets into the investments company with the object, in due course, of distribut-

COURTAULDS LIMITED

BALANCE SHEET
31st March 1964

		1964 £000	1963 £000
Capital Employed	**Preference Capital**	18,562	17,683
	Ordinary Capital	81,519	79,577
	Reserves	46,933	37,335
		147,014	134,595
	Loan Capital	41,130	39,589
	Future Taxation	10,955	10,901
		199,099	185,085
Employment of Capital	**Land, Buildings, Plant and Equipment**	50,763	51,621
	Investments in Subsidiaries	119,005	106,888
	Trade and Other Investments	32,901	20,244
	Fixed Assets	202,669	178,753
	Current Assets		
	Stocks	12,026	13,527
	Debtors	6,004	5,176
	Deposits	85	7,046
	Cash	1,959	1,865
		20,074	27,614
	Current Liabilities		
	Creditors	10,120	9,390
	Advance	2,145	3,600
	Provisions	2,237	1,219
	Dividends	9,142	7,073
		23,644	21,282
	Net Current Assets		
	Deficiency	3,570	
	Surplus		6,332
		199,099	185,085

Notes to explain items in the Group Profit and Loss Account and the Balance Sheets are on the facing pages or on pages [83]

D. G. M. Bernard
C. F. Kearton
Directors

NOTES

	1964 £000	1963 £000
Preference Capital		
5 per cent Cumulative First Preference Stock – Authorised and Issued	8,000	8,000
6 per cent Cumulative Second Preference Stock redeemable at par on or after 31st March 1977– Authorised £15m (£1 shares where unissued) Issued Stock—£0·879m issued during the year to preference shareholders of subsidiaries acquired	10,562	9,683
	18,562	17,683
Ordinary Capital		
Authorised £100m (£1 shares where unissued) Issued Stock	81,519	79,577
Loan Capital		
7 per cent Unsecured Loan Stock 1982/87	39,589	39,589
Bank Loan, Secured, repayable 1966/67	1,541	
	41,130	39,589
Future Taxation		
UK Income Tax based on profit for the year	3,072	1,600
Taxation deferred by Accelerated Depreciation Allowances	7,883	9,301
	10,955	10,901
Investments in Subsidiaries		
Courtaulds Investments Limited	36,150	38,700
Shares in other Subsidiaries	65,456	50,514
Advances and Current Accounts receivable	25,125	22,869
	126,740	112,083
Less Advances and Current Accounts payable	7,735	5,195
	119,005	106,888

The consideration of £0·875m for shares to be acquired from minority shareholders is included in Shares in other Subsidiaries and in Creditors. £0·308m is to be paid in cash and £0·567m is to be satisfied by issuing 133,000 ordinary shares at a premium, ranking for final dividend, and 66,000 second preference shares.

	1964 £000	1963 £000
Trade and Other Investments		
Trade Investments at cost, including £18·5m (1963 £11m) of scrip issues by British Nylon Spinners Limited at par value, less amounts provided £1·0m (1963 £2·5m)	32,610	20,170
Other Investments—quoted at market value	217	
—unquoted at cost	74	74
	32,901	20,244
Provisions		
For Taxation	1,198	190
For Co-Partnership Benefit	660	612
Towards Senior Executives' Pensions	379	417
	2,237	1,219

ing shares in the investments company to Courtaulds' stockholders.

The actual distribution has not yet been made, although the impression is that the mechanics of the operation are being worked out. At present, the investments company is building up a portfolio of equity investments mainly in the United Kingdom and the United States, using funds provided in the main through the realization of fixed interest securities and from the redisposition of certain trade investments of Courtaulds which were originally placed in the investment company.

Operations in the latter sphere have now been virtually completed. It should be appreciated that the investments company is not the vehicle through which Courtaulds itself makes new trade investments.

NOTES

	Group £000	Courtaulds £000
Capital Reserves and Movements during 1963/64		
a) Share Premium Account as at 31st March 1963	1,328	1,328
Amount arising during the year on issue of 1,924,000 Ordinary Shares to:		
i) Ordinary Shareholders of subsidiaries acquired	4,990	4,990
ii) Co-partners	344	344
	6,662	6,662
b) General as at 31st March 1963	52,670	27,058
i) Scrip issue at par value by British Nylon Spinners Limited	7,500	7,500
ii) Capital distribution by British Nylon Spinners Limited	1,455	1,455
iii) Release of provisions against Trade Investments and Courtaulds Investments Limited	510	640
iv) Other capital receipts (net)	936	263
v) Transfer from Profit and Loss Account	6,024	1,780
	69,095	38,696
Less		
vi) Last of three dividends of 6d per £1 unit of ordinary stock payable on 16th July 1964 out of capital profits	2,041	2,041
vii) Adjustment of depreciation for previous periods (Group £1·928m—Courtaulds £1·673m) less deferred taxation (Group £1·037m—Courtaulds £0·899m)	891	774
viii) Liability for pensions for past service	413	
ix) Provision against investments in subsidiaries		4,559
x) Premium (net) on acquisition of subsidiaries	4,559	
General as at 31st March 1964	61,191	31,322
Total Capital Reserves	67,853	37,984
Revenue Reserve as at 31st March 1963	8,949	8,949
Total Reserves as at 31st March 1964	76,802	46,933

	Group 1964 £000	Group *1963 £000*	Courtaulds 1964 £000	Courtaulds *1963 £000*
Land, Buildings, Plant and Equipment				
Land and Buildings	61,254	*55,715*	22,900	*22,876*
Depreciation	18,162	*15,438*	7,784	*6,772*
Balance	43,092	*40,277*	15,116	*16,104*
Plant and Equipment	169,335	*146,354*	58,391	*55,931*
Depreciation	72,633	*57,449*	22,744	*20,414*
Balance	96,702	*88,905*	35,647	*35,517*
Total Fixed Assets	230,589	*202,069*	81,291	*78,807*
Total Depreciation	90,795	*72,887*	30,528	*27,186*
	139,794	*129,182*	50,763	*51,621*

Fixed assets are stated at cost to the Group company which originally purchased them, or, if purchased by Courtaulds Limited before an independent valuation carried out in 1938/39, at replacement cost as new in 1938/39, or at subsequent revaluation by subsidiaries.

Depreciation is calculated from the dates of original purchase or subsequent revaluation by subsidiaries.

The Board of Trade, as empowered by the Companies Act, 1948, has modified the provisions of the Act in regard to the basis of stating fixed assets and the related depreciation.

Capital Commitments
Outstanding commitments at balance sheet dates in respect of uncompleted contracts for capital expenditure amounted for the Group to approximately £13·1m (1963 £4·5m) and for Courtaulds Limited to approximately £1·5m (1963 £2·4m) externally and £9·5m to subsidiaries.

	1964 £000	*1963 £000*
Dividends		
Preference Dividends (less tax)—accrued to date	224	*210*
Ordinary Dividends—proposed:		
Capital distribution of 6d per £1 unit	2,041	*1,98*
Final Dividend (less tax) of 2s 9d per £1 unit (1963 2s 1d)	6,877	*4,874*
	9,142	*7,073*

	1964 £000	*1963 £000*
British Nylon Spinners Limited		
The 50 per cent interest of Courtaulds Limited is stated in these accounts at £22·5m (1963 £15m) under Trade Investments. Dividends therefrom of £4·5m (1963 £3m) are included under Investment Income and a capital distribution of £1·455m (1963 nil) is credited to capital reserve. The total issued share capital, net assets and profits are shown below:		
Issued share capital	45,000	*30,000*
Group Net Assets at 31st December 1963, after deducting future taxation	48,645	*46,948*
Group Profit for the year ended 31st December 1963, before taxation	18,659	*13,542*
Less Taxation	9,761	*6,906*
	8,898	*6,636*
Less Dividends £9m (1963 £6m) *less* tax	5,513	*3,675*
Profit retained	3,385	*2,961*

Foreign Currencies
Fixed assets and investments have been converted into sterling at the rates ruling at the dates of acquisition or revaluation and current assets, liabilities and future taxation have been converted into sterling at the rates at which the currencies could have been sold at 31st March 1964.

	1964 £000	*1963 £000*
Remuneration of Directors		
Fees	29	*28*
Salaries	170	*169*
Payments to Pensions Funds in respect of present and former Directors and ex gratia payments on retirement excluding payments of £38,000 (1963 £38,000) charged against Provision for Senior Executives' Pensions	139	*128*
Auditors' Fees and Expenses	102	*93*

Period of Account
The period of account referred to herein as 'the year' is the year ended 31st March 1964 except for:
a) companies the accounts of which cover a period of one year ended between 30th September 1963 and 31st January 1964
b) companies recently formed or acquired the accounts of which cover periods of less than one year ended on or before 31st March 1964.

Balance Sheet Dates
The accounts of certain subsidiaries have been made up to dates between 30th September 1963 and 31st January 1964 so as to avoid delay in the presentation of the Group accounts.

CITY NOTES

A RUSH of new issues and a movement of mergers have tended to distract stock-market attention from basic business and trends. Postal delays have also upset the market to some degree and although the tone of the equity sections has remained very firm there has been no decided buying force.

New issues, it may be noticed, are not attracting the overwhelming support they did earlier in the year when 'stagging' operations were in full flood. This may be partly due to general investment uncertainties but it also reflects the more realistic yield basis on which new share offers now seem to be made.

Earlier in the year there was some criticism of issuing houses from the point of view that offer prices were being pitched too low. That phase ended abruptly with the Wilkinson Sword operation where the price was pitched so high that not only the 'stags' but investors as well were frightened away.

The terms of new issues have lately been on a more realistic basis and there has also been a shade more realism in the response, which is all to the good. The last thing the Stock Exchange wants to do is to attract the 'casino' label with which it can so readily be identified by those who insist on being ill informed.

* * * *

THE building societies seem to be at loggerheads over interest rates again. A week after Mr Hubert Newton of the Leek & Moorlands Building Society had suggested that interest rates would have to go up in the autumn, Mr J. H. Simpson, of the Co-operative Permanent, insisted that there were no facts on which such a firm forecast could be based and that speculation on interest rates is untimely.

Next week Mr Andrew Breach, chairman of The Building Societies Association, is expected to comment on the interest rate position at the Association's bi-annual Press conference.

* * * *

THE banking interim dividend season has proved exceptionally interesting. The season's preview began with Westminster Bank's rights operation and by the time all the 'Big Five' had reported only Lloyds Bank had simply maintained its interim payment. The dividend news greatly enlivened the bank share market which had been in the investment doldrums for the greater part of the year. Mid-year bank balance sheets show a rising trend in bank advances with the early-year increase in Bank rate presumably helping to increase the profit margin to some degree. At least the latter is implicit in the higher dividend payments and forecasts.

* * * *

IN the present mood of industrial mergers the retail trade is not figuring particularly prominently. There seems something more of an outside chance, however, that Sir Hugh Fraser, once pre-eminent in the take-over field, may be on the move again. In his statement to shareholders in House of Fraser he gives the impression that the group may be thinking of expansion by take-over. With cash and investments at well over £8 million the group is well placed to deal.

The prices being asked for relatively small, privately-owned store businesses, however, are apt to be tinged by inflated property values rather than by the economics of retail trading. Most leading retail groups are on the look-out for likely propositions, but potential sellers are tending to price themselves out of the market.

RATES AND PRICES

Closing prices, Wednesday, July 15th, 1964

Tax Reserve Certificates: interest rate 28.3.64 2 3/4%

Bank Rate

July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6 1/2%	April 26, 1962	4 1/2%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5 1/2%	Feb. 27, 1964	5%

Treasury Bills

May 8	£4 5s	11·47d%	June 12	£4 8s	8·49d%
May 15	£4 7s	3·60d%	June 19	£4 8s	9·84d%
May 22	£4 7s	8·75d%	June 26	£4 9s	3·39d%
May 29	£4 7s	6·17d%	July 3	£4 9s	4·72d%
June 5	£4 8s	26·9d%	July 10	£4 9s	7·75d%

Money Rates

Day to day	3 3/8–4 3/8%	*Bank Bills*	
7 days	3 1/4–4 1/4%	2 months	4 5/8–4 11/16%
Fine Trade Bills		3 months	4 5/8–4 11/16%
3 months	5 3/4–6 1/4%	4 months	4 5/8–4 11/16%
4 months	5 3/4–6 1/4%	6 months	4 5/8–4 3/4%
6 months	6–7%		

Foreign Exchanges

New York	2·79 3/32	Frankfurt	11·09
Montreal	3·01 29/32	Milan	1744
Amsterdam	10·09	Oslo	19·96 3/4
Brussels	139·98 1/2	Paris	13·67 5/8
Copenhagen	19·29 9/16	Zürich	12·05 7/8

Gilt-edged

Consols 4%	64 7/16	Funding 3% 59–69	90 5/16
Consols 2 1/2%	41 7/8	Savings 3% 60–70	88 3/8
Conversion 6% 1972	102 7/8xd	Savings 3% 65–75	78 1/8xd
Conv'sion 5 1/4% 1974	97 15/16	Savings 2 1/2% 64–67	93
Conversion 5% 1971	97 3/16	Treas'ry 5 1/2% 2008–12	92 11/16
Conversion 3 1/2% 1969	92 3/16	Treasury 5% 86–89	88 1/2
Conversion 3 1/2%	57 11/16	Treasury 3 1/2% 77–80	76 5/8
Funding 5 1/2% 82–84	95 9/16	Treasury 3 1/2% 79–81	75 1/2xd
Funding 4% 60–90	93 11/16	Treasury 2 1/2%	41 7/8
Funding 3 1/2% 99–04	64 9/16	Victory 4%	98 1/16
Funding 3% 66–68	91 5/16	War Loan 3 1/2%	57 3/8

Practitioners' Forum

'Extended' Trial Balance — A Method of Arriving at Trading Results

A SURPRISING amount of time can be spent by practitioners on the production of accounts from working papers which are, to say the least, sketchy; and though with experience of any method used a set of accounts is eventually produced, the impression of the casual observer may be that the final accounts obtained result as much from pure chance as from the exercise of accounting skill.

It is suggested, therefore, that the only really satisfactory method of working from an original trial balance to the completed accounts is through what is known as the 'extended trial balance'.

This consists of a statement on eight or ten-column analysis paper each headed with debit and credit description of (respectively) trial balance, adjustments, trading and profit and loss account (possibly allocating columns for each) and balance sheet.

There are several important reasons why this method is the most reliable one to use, as follows:

(1) it creates a permanent record of all figures to be used in final accounts;

(2) it enables further adjustments to be made – and traced – at any stage;

(3) if used in conjunction with a journal with detailed descriptions of each adjustment, it enables the books later to be written up to conform with the drafted accounts;

(4) the system enables total lists of debtors and creditors to be prepared and reconciled with the schedules;

(5) because each page is self-balancing from side to side, error in arithmetic may readily be discovered and rectified.

It is preferable, with this type of schedule, to total separately each page and then to summarize the pages on a special sheet at the end. This also saves time because it avoids carrying forward large totals until the final sheet is reached.

Illustrated herewith is an example of an extended trial balance. Obviously the design of this schedule is most suited to cases where a comprehensive book-keeping system is in force; it can be utilized within the business for the preparation of the accounts as well as by the auditors for proving the accounts and agreeing their working paper schedules.

A final and very helpful contribution which the extended trial balance provides is the ability to determine the trading results at different stages without having to draft and redraft sets of accounts each time, with the knowledge that the system automatically ensures that the results are in arithmetical balance. The user of such a system must, however, beware of errors caused by extending items into the wrong column.

SUBSIDIARY COMPANY

	Trial balance, March 31st, 1964		Adjustments		Profit and loss account		Balance sheet	
	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
Audit etc., fees		17 0 0	16 1 0		16 1 0			17 0 0
Capital		4,295 0 0						4,295 0 0
Capital reserve		2,544 19 10						2,544 19 10
General reserve		2,047 3 5						2,047 3 5
Plant and machinery ..	10,246 0 11						10,246 0 11	
Depreciation		10,240 0 11						10,240 0 11
Taxation		2,176 9 10	923 16 0					1,252 13 10
Fellow subsidiary company ..	25,699 2 1		1,500 0 0	16 1 0 923 16 0			26,259 5 1	
Parent company		14,624 9 0		65 0 0				14,689 9 0
Standing charge				1,500 0 0		1,500 0 0		
Creditors								
Management charge ..			65 0 0		65 0 0			
	£35,945 3 0	£35,945 3 0	£2,504 17 0	£2,504 17 0	81 1 0	1,500 0 0	36,505 6 0	35,086 7 0
Profit					1,418 19 0			1,418 19 0
					£1,500 0 0	£1,500 0 0	£36,505 6 0	£36,505 6 0

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Whither Accountancy?

SIR, – I was most interested to read the article entitled 'Accountancy: what's wrong?' in *The Sunday Times* of June 28th, and also your leading article on the subject (July 4th issue).

Like most critical works, there is a grain of truth in the original article, but I agree with your own views to a very great extent. It is unfortunate that many who do not belong to the profession itself are completely unaware of the progress being made behind the scenes in matters mentioned by the unnamed writer in *The Sunday Times*; it is also unfortunate that he should allow his qualification to give apparent authority to what we on the 'inside' may well feel is an unfairly prejudiced view.

It is interesting that at the same time there should appear in *The Financial Times* (on June 30th and July 7th) two articles by Mr Harold Wincott dealing with capital profits and valuations in balance sheets which by and large attack the accountancy profession again, so that a writer to that paper (July 3rd) speaks of 'the innate conservatism of the profession'.

However much some of us who have preferred to preach within professional circles may desire more rapid acceptance of progressive views, I cannot think that articles like that in *The Sunday Times* do anything to help. Rather do they bring harm to the image of all accountants which our bodies do so much to try to promote. I cannot help feeling that it would be far more helpful if non-professional journals were to draw the attention of the public to such matters as the papers presented by United Kingdom representatives at the New York and Edinburgh congresses in recent years, or the publications of the Institutes and the Association in the British Isles. It may well be that the matter will be more fairly dealt with at the Cambridge Summer Course shortly when the subject looks like being very appropriate to the title of the paper being presented by Mr D. Napper, F.C.A.

Let us have fuller publicity for matters such as these and so give the public a proper view of what we are attempting to do.

Yours faithfully,

R. S. WALDRON, F.C.A.

London EC2.

SIR, – As author of the recent *Sunday Times* article, 'Accountancy: what's wrong?', I appreciate the editorial space (July 4th issue) devoted to a criticism of my views, although you do not endorse them.

I would appreciate, however, the opportunity to comment on the facts you suggest I have misstated.

Firstly, my comment on the composition of the English Institute Council reads 'although nearly half of their members are engaged in industrial jobs, and the percentage increases yearly, the Council of the Institute is firmly of the opinion that membership of the Council should be confined to members who practise publicly and are not employed in industry'.

This is based on the following quotation from the 1964 *List of Members* '. . . the Council recommended that, having regard to the objects for which the Royal Charter was granted, membership of the Council should as a general rule be confined to practising members'.

The other factual criticism made was that the new joint diploma was announced in January and not April. Here you are correct. There was a provisional announcement in January. The details however were not announced until April and the booklet sent to members bears an April date.

Yours faithfully.

THE AUTHOR,

'Accountancy: What's Wrong?'

[Our correspondent seems to have overlooked that the Council's recommendation to which he refers was from a report adopted at the annual general meeting of the Institute in May 1942. A further recommendation approved in 1950 indicated that the Council should be guided by the principle that up to five seats (on the Council) should normally be occupied by members not in practice. In fact, had he examined the 1964 *List of Members* more closely he would have observed that (as a result of Integration in 1957) in the list of Council members enumerated on pages 8 and 9, an asterisk appears against the names of eight members, denoting members not in practice – Editor.]

Setting up Business in Belgium

SIR, – May I suggest that any of your readers who are prompted to set up business in Belgium (*The Accountant*, July 4th, 1964) make careful inquiries beforehand into the operation of the Law by Royal Decree of June 10th, 1937, relating to family allowances. This law was invoked (but seemingly on a limited basis) in 1963 with retrospective effect and imposes a personal liability on each director of a foreign company, resident outside Belgium, to pay a scaled contribution to the Belgian family allowances fund.

Yours faithfully,

L. E. SHERREN, F.C.I.S.

Caterham, Surrey.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

NOTIFICATION OF EXAMINATION RESULTS

A list of candidates successful at the May 1964 examinations of The Institute of Chartered Accountants in England and Wales will be displayed at the Hall of the Institute, Moorgate Place, London EC2, on Wednesday, August 12th. The list will be published in the issue of *The Accountant* dated August 15th.

Subject to unforeseen circumstances, the following procedure will be adopted.

(*a*) each candidate may expect to receive by post:

(i) at the earliest on Saturday, July 25th, a notice stating whether he has passed or failed, and

(ii) at the earliest on Saturday, August 8th, details of any prize or certificate awarded (and, in the case of the Intermediate examination, of the place taken), or, if unsuccessful, details of his performance in individual papers;

(*b*) lists of successful candidates' numbers will be received on Saturday, July 25th, at the addresses shown on the following list, in order that these may be displayed there. Any individual candidate whose notice does not reach him by Saturday, July 25th, may make inquiries during normal office hours from any of these addresses, either by making a personal call or by telephone. The Institute cannot give information of results by telephone or telegram and cannot entertain any inquiries as to whether results are available. Copies of the lists referred to above will, however, be displayed in the entrance hall at Moorgate Place, but any candidate wishing to make an inquiry by telephone must do so by using one of the telephone numbers shown below.

Birmingham. Mr C. W. Massey, F.C.A., 36 Cannon Street. *Midland 1567.*

Bolton. Mr P. Clarke, F.C.A., Messrs Greenhalgh, Son & Dutton, 20 Acresfield. *Bolton 25872.*

Bournemouth. Mr H. Payne, F.C.A., Messrs C. R. Blissett & Co, Waterloo Chambers, Fir Vale Road. *Bournemouth 21835.*

Brighton and Hove. Mr W. H. Minter, F.C.A., Messrs Spain Bros, Dalling & Co, 1 Pavilion Buildings, Brighton. *Brighton 26106.*

Bristol. Mr R. C. Bassett, A.C.A., 7 Unity Street, College Green, 1. *Bristol 25417.*

Cambridge. Mr R. A. Cook, A.C.A., Messrs Peters, Elworthy & Moore, Norwich Union Buildings, Downing Street. *Cambridge 59411.*

Canterbury. Mr W. R. Young, F.C.A., Messrs Reeves & Young, 39 St Margaret's Street. *Canterbury 4484.*

Cardiff. Mr Howard N. Jones, B.A., A.C.A., Hon. Secretary, South Wales and Monmouthshire Society of Chartered Accountants, 63 Park Place. *Cardiff 21141/2.*

Carlisle. Mr K. J. Sharp, M.A., A.C.A., Hon. Secretary, Cumberland Branch, c/o Messrs James Watson & Son, Lloyds Bank Chambers, Lowther Street. *Carlisle 26196.*

Chester. Mr R. R. Williams, A.C.A., Messrs Jones & Hack, 10 White Friars. *Chester 21002.*

Colchester. Mr W. E. G. Kirby, F.C.A., Messrs Norman F. Kirby & Co, 3 Church Street. *Colchester 5601.*

Coventry. Mr J. R. Mead, F.C.A., Messrs Daffern & Co, 29 Warwick Road, *Coventry 21046.*

Darlington. Mr C. A. P. Snow, F.C.A., Messrs Peat, Marwick, Mitchell & Co, 7 Coniscliffe Road. *Darlington 2937.*

Derby. Mr A. Jones, A.C.A., Messrs Richardson, Nutt & Co, St James Chambers, St James Street. *Derby 42385.*

Douglas, I.o.M. Mr J. John Garside, F.C.A., Talbot Chambers, 18 Athol Street. *Douglas 3221.*

Edinburgh. Miss D. M. Vaughan, B.A., F.C.A., 108 Hanover Street, 2. *Caledonian 1513.*

Exeter. Mr G. F. Edwards, F.C.A., Hon. Secretary, Exeter & District Branch, Arcade Chambers, 11 Exeter Street. *Exeter 76281.*

Goole. Mr N. Townend, F.C.A., Carlisle Chambers. *Goole 332.*

Grimsby. Mr W. S. Warrs, F.C.A., 20 Carlton Road. *Grimsby 3891.*

Hastings. Mr W. R. McBrien, F.C.A., Messrs Gibbons & Mitchell, 7/8 Wellington Square. *Hastings 1864/5.*

Hereford. Mr A. J. Leach, F.C.A., Messrs Thorne, Widgery & Co, All Saints Chambers, Eign Street. *Hereford 2098/9.*

Huddersfield. Mr S. G. Kaye, A.C.A., Alexandra Chambers, 32 John William Street. *Huddersfield 31454.*

Hull. Mr E. G. Chadwick, F.C.A., 1 Parliament Street. *Hull 36802.*

Jersey, C.I. Mr C. G. Pile, F.C.A., Messrs Reads, Cocke, Watson & Scarborough, Bank Chambers, Mulcaster Street. *Central 31451/2.*

Leeds. Mr W. E. Ellison, B.COM., F.C.A., The Leeds, Bradford & District Society of Chartered Accountants, City Chambers, Infirmary Street, 1. *Leeds 26475.*

Leicester. Mr W. E. Willis, D.F.C., B.A., F.C.A., 24 Friar Lane. *Leicester 22901.*

Lincoln. Mr J. B. Perkins, A.C.A., Doughty's Mills, Melville Street. *Lincoln 27412.*

Liverpool. Mr E. L. Ashton, M.A., F.C.A., Hon. Secretary, Liverpool Society of Chartered Accountants, 41 North John Street, 2. *Central 5905.*

London. Mr D. C. P. Kelleher (8.30 a.m. to 5.30 p.m. ONLY). *Gibbon 1630.*

Luton. Mr E. J. Frary, F.C.A., 26 Victoria Street. *Luton 23144.*

Maidstone. Mr D. A. Goate, A.C.A., Messrs Larking & Larking, Cornwallis House, Pudding Lane. *Maidstone 4033.*

Manchester. Mr D. A. Boothman, F.C.A., Manchester Society of Chartered Accountants, 46 Fountain Street, 2. *Deansgate 3188.*

Middlesbrough. Mr C. P. Barrowcliff, F.C.A., Messrs C. P. Barrowcliff & Co, 68/70 Corporation Road. *Middlesbrough 3707.*

Newcastle upon Tyne. Mr R. W. Thoburn, F.C.A., Hon. Secretary, Northern Society of Chartered Accountants, 12 Windsor Terrace. *Newcastle 81-3215.*

Northampton. Mr D. T. Dutton, F.C.A., 6 Spencer Parade. *Northampton 34311.*

Norwich. Mr H. Robinson, F.C.A., Messrs Robinson & Co, 4 Elm Hill. *Norwich 28629.*

Nottingham. Mr R. F. Holloway, F.C.A., Messrs Derbyshire & Co, Bentinck Buildings, Wheeler Gate. *Nottingham 42071.*

Plymouth. Mr T. G. Preedy, A.C.A., Messrs Whitmarsh, Edgcumbe & Preedy, 70 Mutley Plain. *Plymouth 61161.*

Portsmouth. Mr D. J. Gulliford, F.C.A., Messrs Thornton Baker & Co, Charter House. *Portsmouth 22444.*

Preston. Mr R. B. Arrowsmith, F.C.A., c/o G. Arrowsmith & Sons Ltd, Ormskirk Road. *Preston 4008.*

St Helens. Mr C. A. Hunter, F.C.A., Messrs C. A. Hunter, Callon & Co, Britannia Chambers, George Street. *St Helens 27336.*

Scarborough. Mr R. M. Bastiman, A.C.A., 38 Queen Street. *Scarborough 4534.*

Sheffield. Mr J. M. Beard, F.C.A., Sheffield & District Society of Chartered Accountants, Victoria Chambers, 22 Norfolk Row, 1. *Sheffield 25531.*

Shrewsbury. Mr D. B. Whittingham, F.C.A., Messrs Wheeler, Whittingham & Kent, Old Bank Buildings, Bellstone. *Shrewsbury 2048.*

Southampton. Mr G. E. Radford, F.C.A., Messrs Radford, Sons & Co, 12 Portland Street. *Southampton 25186.*

Stockton-on-Tees. Mr J. A. Cook, A.C.A., Messrs Jewitt, Sparrow & Swinbank, Barrington House, 2 Bowesfield Lane. *Stockton-on-Tees 67182.*

Stoke-on-Trent. Mr N. E. Dunning, F.C.A., Stoke-on-Trent Area Branch, Messrs Bourner, Bullock & Co, 17 Albion Street, Hanley. *Stoke-on-Trent 21481.*

Swansea. Mr H. W. Vaughan, F.C.A., 12 Christina Street. *Swansea 52108/9.*

Warrington. Mr F. L. Davies, F.C.A., Messrs Davies, Downs & Co, 82 Sankey Street. *Warrington 33301.*

West Hartlepool. Mr H. B. Kilvington, F.C.A., Messrs H. H. Kilvington & Co, 17 & 19 Scarborough Street. *West Hartlepool 2637.*

Wigan. Mr E. Tootle, B.COM., F.C.A., Messrs Holmes & Turner, Wallgate Chambers, Wallgate. *Wigan 2145.*

Wolverhampton. Mr A. H. Nelson, A.C.A., Graiseley Chambers, 39 Penn Road. *Wolverhampton 24634.*

Worcester. Mr J. N. Bowen, A.C.A., Messrs Bowen, Dawes, Wagstaff & Co, 16 Bridge Street. *Worcester 25771.*

FOR STUDENTS

PAY AS YOU EARN

THE 'Pay-as-you-earn' system of collecting tax applies to emoluments paid by an employer in the United Kingdom, assessable on the recipient under Schedule E. The general principle of P.A.Y.E. is that the tax payable on the emoluments must be deducted by the employer in accordance with the tax tables and handed over to the Inland Revenue, even though no assessment has been made. In all cases, however, it is the amount of the tax liability on the assessment that is decisive, not the amount of tax collected under P.A.Y.E., any over-deduction of tax being repayable to the employee and any under-deduction being adjusted as described below.

The amount of tax to be deducted from an employee's pay depends on two things, firstly, the code number allotted to the employee by the Inspector of Taxes, and secondly, the amount of the earnings. The code number, in its turn, depends on the personal circumstances of the employee and is calculated by reference to the employee's claim for allowances in his income tax return and to any notification of a subsequent change in his personal circumstances.

The code number enables the employer to determine how much 'free pay' the employee is allowed against each payment of salary. The higher the code number, the higher the free pay and the less tax will be deductible from each payment.

The employer is supplied with a tax deduction card, on which to record the weekly or monthly details, for each employee earning at least £3 15s per week, or £15 10s per month. The headings on the monthly cards are as shown below:

is obtained by adding the month's pay in column 2 to the previous total in column 3.

The employer then turns to Table A, supplied by the Revenue, for the month in which the pay day falls and in the column headed 'Code' finds the code number entered on the employee's tax deduction card. In the next column of the table immediately to the right of this code number appears a figure of free pay to date. The employer inserts this figure in column 4 of the tax deduction card, subtracts it from the figure entered in column 3 and enters the difference in column 5.

Next, the employer turns to Table B for the same month. In the column headed 'Total taxable pay to date' he must find the figure he has just entered in column 5 or, if the exact figure is not shown in the table, the next smaller amount. In the column of the table immediately to the right of this figure appears an amount of total tax due to date; this amount must be entered in column 6 of the tax deduction card. In month 1 the figure entered in column 6 will be the figure for column 7, and this is the amount of tax to be deducted from the pay for the month. In subsequent months the employer must subtract from the figure which he has just entered in column 6, the figure entered in that column for the previous month. The difference is the amount of tax to be deducted and to be entered in column 7. If the previous month's cumulative figure of tax in column 6 is higher than the current month's, the difference represents tax to be refunded to the employee and should be inserted in column 8 instead.

NAT. INSCE Employee's Graduated Contributions (1)	Month in which payment made	Gross pay in the month (2)	Total gross pay to date (3)	Total free pay to date per Table A (4)	Total taxable pay to date (5)	Total tax due to date per Table B (6)	Tax deducted in the month (7)	Tax refunded in the month (8)

When a payment of remuneration is made, the date of payment determines which weekly or monthly tax table should be used. The tax deduction card must be written up each time a payment is made. The gross amount of the pay (regardless of the period in which the pay was earned) is first entered in column 2. The total gross pay to date is then inserted in column 3. In the first month, or week in the case of a salary paid weekly, this amount will be the same as that in column 2; in each subsequent month the figure for column 3

It will be seen that the first column of the tax deduction card shows the amount of the employee's graduated National Insurance contributions. Each month twice this amount (i.e. the employer's and the employee's contributions) for all employees must be remitted to the Collector of Taxes, together with the total income tax deducted. A remittance card must accompany the payment. Flat-rate National Insurance contributions are paid by stamping the employees' National Insurance cards.

At the end of the year the employer must complete a form P11D for each director (whatever his level of remuneration) and for each employee earning £2,000 or more a year, showing any reimbursement of expenses, benefits in kind, etc. He must also complete the back of the tax deduction cards in other cases, to show amongst other things, all expenses payments totalling more than £25 for the year, which have not been treated as pay (excluding reimbursement of expenditure actually incurred in the performance of the employee's duties).

The employer must send all the tax deduction cards to the Collector at the end of the year with an annual return of all emoluments paid and of all tax deducted and refunded during the year. He must also issue each employee with a form P60 showing the gross pay and tax deducted during the past year.

When an employee leaves his employment the employer must prepare a form P45 which is a form in three parts showing the total gross pay for the period from April 5th to the date of leaving, the total tax deducted during that period and the current code number. Part 1 is to be sent to the Inspector of Taxes by the employer immediately; Parts 2 and 3 are given to the employee for handing to his new employer. The new employer forwards Part 3 to his Inspector and writes up a tax deduction card from Part 2.

If a new employee arrives without a form P45 the new employer should use an emergency card and emergency card table until a code number is notified to him.

In addition to the normal code numbers which range from 1 to 225, there are the following special codings:

- O – in which case tax is deductible from the full amount of the pay (i.e. without the allowance of any 'free pay') at the standard rate less earned income relief (e.g. where the personal reliefs are given against another source of earned income). The Tax Tables Supplement is used to find the amount of tax to be deducted.
- S.R. – which means that tax must be deducted at the full standard rate (e.g. where the maximum earned income relief and full personal allowances are given against another source of earned income). Again, the Tax Tables Supplement is used.
- N.T. – in which case no tax is deductible whatever the amount of the pay. This coding is used, for instance, for director's fees paid to a financial director who includes the fees in his professional accounts so that they are assessed under Case II.

The tax tables are designed to give earned income relief on the full amount of the remuneration paid; they also give the reduced rate relief automatically. Therefore neither of these two reliefs appear on the coding notice. The following is an illustration of a coding notice for 1964–65:

CODING ALLOWANCES £
Expenses, etc.
Superannuation
Personal allowance
Wife's earned income allowance
Housekeeper
Additional personal allowance
Children
Dependent relatives
Life Insurance
National Insurance contributions
Building Society interest payable

DEDUCTIONS: Total allowances

Deduct: allowances to be set against other income as follows: £
Income from property
Interest
Pension
Family Allowances

Net allowances

Deduct: for net tax underpaid for earlier years £
196 –6 £ : *s* *d* equivalent to a deduction of
1963–64 £ : *s* *d* (estimated) equivalent to deduction of

OTHER ADJUSTMENTS:

ALLOWANCES TO BE SET AGAINST PAY £

YOUR CODE NUMBER FOR 1964–65 IS

Because the employee is entitled to earned income relief only on his earned income as reduced by allowable expenses and superannuation contributions, whereas the tax tables give earned income relief on the full amount of the emoluments, only seven-ninths of the expenses and superannuation payments are included in the coding notice. (In cases of very high remuneration eight-ninths should be included as the expenses reduce the amount of earned income relief otherwise obtainable at one-ninth).

The other items in the first section of the coding notice, headed 'Coding Allowances', are self-explanatory. The next section, headed 'Deductions', applies where an employee has other sources of taxable income such as untaxed interest. Either the Inland Revenue can demand a payment of tax on the interest or they can set an equivalent amount of the personal reliefs against the interest so that no tax is payable on that source but a lower total of allowances is available against the salary. It is to avoid the necessity of separate demands for small amounts of tax on other sources of income that such other income is deducted from the coding allowances. Once again because pensions and family allowances are assessable, not in full but after deduction of earned income relief, only seven-ninths (or eight-ninths) of these two items is deductible.

In straightforward cases the amount of tax deducted under P.A.Y.E. is, to within a few shillings, the correct amount of the income tax liability, and the Inland Revenue do not have to issue a Schedule E notice of assessment unless the taxpayer asks for one. In more complicated cases or where, for example, expenses have been estimated or additional allowances have become due too late in the year for the coding to be amended the amount deducted will differ from the true liability. The inspector will then issue a Schedule E notice of assessment showing the amount over- or under-deducted for the year. An over-deduction will be refunded to the taxpayer and an under-deduction will be included in a subsequent year's coding (in the third section of the coding notice) so that the arrears are deducted from later emoluments.

It will be seen that the coding notice includes one other item 'Other Adjustments'. This will be applicable in special cases, for instance, where a restriction of the earned income relief is necessary because the charges exceed the unearned income, or there are other sources of earned income which in total are such that the one-ninth earned income relief applies to part but which, separately, would each attract the full two-ninths relief under the tax tables. Similarly because tax cannot be deducted from benefits-in-kind, the estimated amount of any assessable benefits, less earned income relief, will be deducted from the coding allowances.

If the earned income and personal reliefs are such that full effect cannot be given to the reduced rate relief against the earnings, the balance of the relief may be available against other income taxed at source, e.g. dividends. In that case an additional allowance is given in the coding for the reduced rate relief on the dividends. This amount may have to be estimated and will be one of the reasons why the tax deducted during the year may differ somewhat from the true liability.

Numerous further points of detail are described in the *Employer's Guide to Pay As You Earn* which is obtainable, free of charge, from any tax inspector's office.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS A. C. BRADING & Co, of 26 Northbrook Street, Newbury, and MESSRS BOOTH, ANDERSON & Co, of 9 West Mills, Newbury, have merged their practices and are now practising as BRADING, BARBER & Co, Chartered Accountants, at 9 and 10 West Mills, Newbury, as from July 1st, 1964. Mr M. D. BOOTH, F.C.A., has retired from active practice.

MESSRS BROWN, PEET & TILLY, Chartered Accountants, of 62 London Wall, London EC2, announce with deep regret the death on July 8th, 1964, of one of their partners, Mr GEORGE JOHNSON ROSE, C.A.

MESSRS EDWARD EARLE & Co, announce that their address is now 6 Broad Street Buildings, Liverpool Street, London EC2.

MESSRS PAUL GOLDSON & Co, Certified Accountants, of Kingston, Jamaica, announce that they have taken into partnership Mr J. E. LOWRIE, A.A.C.C.A.

MESSRS KIDSONS, TAYLOR & Co, Chartered Accountants, of Manchester and London, announce that Mr S. GRAHAMSLAW, F.C.A., retired from the partnership on June 30th, 1964.

Mr W. R. KING, F.A.C.C.A., of 26 Alfred Street, Neath, announces that he has taken into partnership MESSRS A. D. WOOD, A.A.C.C.A., and E. S. MORRIS, A.C.A., A.A.C.C.A., with effect from July 1st, 1964. The style of the firm has been changed to W. R. KING & Co, Certified Accountants.

MESSRS S. H. OLIVE & Co, Certified Accountants, announce that their address is now 41 Burghley Avenue, New Malden, Surrey. Telephone Malden 6014.

MESSRS PIKE, RUSSELL & Co, Chartered Accountants, of Adam House, 1 Fitzroy Square, London W1, announce with deep regret the death on July 4th, of their partner, Mr R. H. NICHOLSON, F.C.A., F.C.W.A.

MESSRS PRICE WATERHOUSE & Co (European Firms) announce the retirement on June 30th, 1964, of Mr W. KERR and the admission to partnership of the following members of their staff: Messrs M. GOODMAN, R. T. SYDNEY-SMITH and (in the Swiss Firm), E. J. SPINNER.

Appointments

Mr L. Phillips, F.C.A., has been appointed chief accountant of the North Eastern Electricity Board to succeed Mr E. J. Corbett, C.A., on his retirement in October, 1964.

Mr D. W. Pinder, F.C.A., has been appointed a managing director of Sime Darby Holdings Ltd.

Mr W. N. Crebbin, F.C.A., has been appointed to the board of directors of Northumbrian and Crayford Trust Ltd.

Mr J. W. Lay, A.A.C.C.A., has been appointed secretary of The Patino Mining Corporation and its subsidiary companies.

Mr D. R. Ward, F.C.A., has been appointed financial controller of the Hadfields group of companies.

Mr Robert Kerr, M.B.E., F.C.A., has been appointed deputy chairman of the North Western Gas Board.

ASSISTANT OFFICIAL RECEIVER

The appointment of Mr Kenneth Harold Bidmead as an Assistant Official Receiver for the Bankruptcy District of the County Courts of Newcastle upon Tyne, Carlisle, Durham, Sunderland, and Workington and Cockermouth, and also for the Bankruptcy District of the County Courts of Stockton-on-Tees, Darlington, Middlesbrough, and Scarborough, has been revoked.

This revocation, which takes effect on July 20th, 1964, is consequential upon the transfer of the offices and the abolition of the post.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Tuition Courses for Articled Clerks in London

The Education Committee of The Institute of Chartered Accountants in England and Wales is arranging a whole-day meeting next Wednesday, July 22nd, at the Great Eastern Hotel, London EC2, to discuss arrangements for tuition courses for articled clerks in London. Attending the meeting will be representatives of colleges of further education in London and of tutorial organizations, together with members of The London and District Society of Chartered Accountants, The Chartered Accountant Students' Society of London and of the Education Committee itself.

The meeting will offer the opportunity of learning from the experience of the two experimental courses for newly articled clerks already held in London in February and June under the auspices of the District Society, and of other courses elsewhere. The Institute recognizes that the aim must be close co-operation between the colleges and the Education Committee of the District Society. It is hoped that from the meeting will emerge a suitable outline for the planning of courses for newly articled clerks in London for the academic year 1964–65. The next two courses are planned provisionally for October and November 1964.

UNION OF CHARTERED ACCOUNTANT STUDENTS' SOCIETIES

Members of students' societies are reminded that all students' societies welcome to their meetings members of other societies who are temporarily in their area. There is also an arrangement for transfer of member- [illegible] without additional fee for members who perman- [illegible] change their district. The interchange should be [illegible]d out through the secretaries of the societies [illegible]rned.

An [illegible] [illegible]dents' societies hold meetings in the following in th[illegible]

Ashford (Kent), Barnstaple, Bedford, Birmingham, Blackpool, Bolton, Bournemouth, Bradford, Bridgend, Brighton, Bristol, Cambridge, Cardiff, Carlisle, Chester, Colchester, Coventry, Darlington, Derby, Eastbourne, Epsom, Exeter, Grimsby, Halifax, Hastings, Hereford, Huddersfield, Hull, Ilford, Ipswich, Kettering, Leeds, Leicester, Lincoln, Liverpool, London, Luton, Maidstone, Manchester, Margate, Middlesbrough, Newcastle upon Tyne, Newport (I.o.W.), Newport (Mon.), Northampton, Norwich, Nottingham, Oxford, Peterborough, Plymouth, Portsmouth, Preston, Reading, Reigate, Salisbury, Scunthorpe, Sheffield, Shrewsbury, Sittingbourne, Southampton, Southend, Stockton-on-Tees, Stoke-on-Trent, Sunderland, Swansea, Taunton, Torquay, Truro, West Hartlepool, Wolverhampton, Worcester, York.

THE ACCOUNTANT BY AIR

The advantages of keeping completely up to date are obvious. Overseas readers of *The Accountant* may receive their copies of each week's issue within a few days of publication by subscribing for the airmail edition printed on special thin paper of high quality. The subscription for the airmail edition is £7 15*s* a year, including additional postage, irrespective of the country to which copies are sent, and £3 17*s* 6*d* per half-year.

Readers abroad who are interested in receiving the airmail edition or anyone who may wish to send *The Accountant* to relatives or friends overseas, should write to the Subscription Department, 151 Strand, London WC2.

FINANCING THE BUSINESS SCHOOLS

Lord Nelson of Stafford, Chairman of the Appeal for Management Education, announced at the end of last week that the first £1 million had been received towards the £3 million fund which it is hoped to raise for the two planned British Business Schools and for the further development of management education in existing universities and elsewhere.

Lord Nelson stated that the response from industry and commerce since the appeal was launched on June 22nd had been most encouraging and it was apparent that the scheme had very strong support throughout the business world.

ACCOUNTANTS' CONFERENCE

Addressing a residential conference of the Association of International Accountants at New College, Oxford, last week-end, the chairman, Mr Edwin P. Hubbard, said that the recent publication of the findings of the practitioner inquiry conducted by The Institute of Chartered Accountants in England and Wales must appal all concerned with the profession of accountancy as to the low average earnings of chartered accountants in practice. He added that accountants themselves must be blameworthy for rating their services too cheaply and their 'public image' would improve if they all charged fees commensurate with the value of their work to the client and the business community, and related to the present-day purchasing power of the £.

Papers were presented to the conference by Mr S. J. Noel-Brown, F.A.I.A., A.C.I.S., Mr A. W. Morrison, A.C.A., A.A.C.C.A., and Professor Clive M. Schmitthoff, LL.D.

New Legislation

All new Acts will be noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent.

STATUTES

Chapter 31: Elections (Welsh Forms) Act, 1964

An Act to authorize the use, in connection with elections in Wales and Monmouthshire, of translations of statutory forms into the Welsh language.

Price 3d net. *June 10th, 1964.*

Chapter 32: National Health Service (Hospital Boards) Act, 1964

An Act to make provision for changing the name of Regional Hospital Boards in England and Wales to that of Hospital Board.

Price 3d net. *June 10th, 1964.*

Chapter 33: Burgh Police (Amendment) (Scotland) Act, 1964

An Act to amend paragraph (36) of section 381 of the Burgh Police (Scotland) Act, 1892, with regard to the laying down of salt on streets and footways in burghs in Scotland in time of snow or frost.

Price 3d net. *June 10th, 1964.*

Chapter 34: Criminal Procedure (Right of Reply) Act, 1964

An Act to amend the law relating to the prosecution's right of reply at trials on indictment.

Price 3d net. *June 10th, 1964.*

Chapter 35: Pharmacy and Poisons (Amendment) Act, 1964

An Act to make provision for increase of the fees payable by authorized sellers of poisons in connection with the registration of their premises, and for that purpose to amend the Pharmacy and Poisons Act, 1933.

Price 3d net. *June 10th, 1964.*

Chapter 36: Dangerous Drugs Act, 1964

An Act to amend the Dangerous Drugs Act, 1951; to create certain offences in connection with the drug known as cannabis and to penalize the intentional cultivation of any plant of the genus cannabis; and for purposes connected with the matters aforesaid.

Price 1s net. *June 10th, 1964.*

Chapter 37: Income Tax Management Act, 1964

An Act to amend the law relating to General Commissioners for the purposes of the income tax and their clerks and officers of Inland Revenue; to transfer from the General or other Commissioners to officers of Inland Revenue the powers of assessing income tax and related functions; to transfer from the Commissioners of Inland Revenue to inspectors of taxes the powers of assessing the profits tax; to make further provision as respects the jurisdiction of Special Commissioners and General Commissioners in appeals and other proceedings relating to income tax and the profits tax; to make further provision as respects such proceedings in Northern Ireland; to make further provision for the recovery of income tax or the profits tax charged by an assessment before the determination of an appeal against the assessment and in other cases; and to re-enact with consequential and minor amendments provisions of the Income Tax Acts concerning returns of income and the procedure on claims for relief from tax, and to make other minor amendments in the administrative provisions of those Acts, of the enactments relating to the profits tax and of other enactments relating to inland revenue.

Price 3s net. *June 10th, 1964.*

Chapter 38: Emergency Powers Act, 1964

An Act to amend the Emergency Powers Act, 1920, and make permanent the Defence (Armed Forces) Reg tions, 1939.

Price 3d net. *June 10th, 1*

Chapter 39: Protection of Animals (Anaesthetics) Act, 1964

An Act to amend the Protection of Animals (Anaesthetics) Act, 1954.

Price 3d net. *June 10th, 1964.*

Chapter 40: Harbours Act, 1964

An Act to establish a National Ports Council; to provide for the control of harbour development and for giving financial assistance for the improvement of harbours; to make other provision respecting the construction, improvement, maintenance and management of harbours; to make provision with respect to charges of certain harbour authorities and lighthouse authorities; and for purposes connected with the matters aforesaid.

Price 5s 6d net. *June 10th, 1964.*

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE ACCOUNTANT

ESTABLISHED 1874

JULY 25TH, 1964 VOL. CLI. NO. 4675

CONTENTS

Purchase Money or Rent?

IN taxation it is axiomatic that the name which a legal document gives to a payment does not conclusively establish at law what that payment is. In a leading article last week on the subject of avoidance of tax through the payment of inflated 'rent', we pointed out that it is open to the Court to find in all the circumstances that so-called rent is capital.

On Thursday of last week the High Court established the converse proposition, namely, that a so-called capital payment was in fact rent (*Martin v. Routh* (*The Times*, July 17th)). Dr GEOFFREY MARTIN appealed against excess rents assessments in respect of flats in buildings owned by himself or his wife. Individuals had been allowed to occupy flats pursuant to written agreements of a somewhat unusual kind. The agreement called itself a sale agreement and described Dr MARTIN and the occupier, 'vendor' and 'purchaser', respectively.

There were three types of agreement. Under Type A. the purchaser was given the option of immediate payment of the full 'purchase price', or of paying it by monthly instalments over periods ranging from one to fifty-five years. Type B. was the subject of detailed consideration by the Court of Appeal in an apparently unreported case in 1952, when it was decided that there was no substantial distinction between the two types, and that the real intention in each case was to create a monthly tenancy. Type C., was very different. After providing for purchase by 660 monthly payments, it went on to emphasize that such payments were neither hire-purchase nor rent, since by the terms of the agreement the flat did not remain the entire property of Dr MARTIN throughout the period of the payments. With each monthly payment the ownership of 1/660th part of the flat passed to the purchaser. The agreement attempted to identify the parts so passing, by providing that they started with the east side of the flat and worked progressively towards the west side.

The agreement provided that the purchaser could occupy the whole of the flat so long as he continued to make the monthly payments punctually. If he fell into arrear, then Dr MARTIN had the right to re-enter the property (all of it) and determine the agreement. That condition was similar to one appearing in the agreements considered by the Court of Appeal and which led that Court to decide that Type B. was not a genuine agreement for sale at all.

Type C. contained a further condition, similar to one considered by the Court of Appeal, for the automatic determination of the agreement if the purchaser attempted to sublet the flat. There

was no question of the purchaser getting any of his money back. That had been a further factor which had led the Court of Appeal to reject the argument that the payments under Type B. were capital payments.

Mr Justice UNGOED-THOMAS, dismissing Dr MARTIN's appeal, said that the provision for the transfer of ownership of minute parts of the flat was most artificial. A fraction of the volume of the flat was not necessarily the same as a fraction of its area. It was difficult to accept that such an arrangement was intended to have any legal effect. The Commissioners were justified in confirming the assessments.

FINANCE ACT

Leaseback and Avoidance – II

THE Finance Act, 1964, received the Royal Assent on July 16th. From our examination last week of section 19 (1) (2), it emerged that one of the conditions for the application of section 19 is the transfer of land from one person to another. 'Land' here includes any estate or interest in land. Moreover, section 19 (3) greatly extends the meaning of 'transfer of an estate or interest in land'. It includes the following:

(1) grant of a lease (which includes the grant of a licence or tenancy (section 19 (12) (*a*)).
(2) any transaction involving the creation of a new estate or interest in the land.
(3) surrender of a lessee's interest under a lease.
(4) forfeiture of a lessee's interest under a lease.
(5) transaction (or series of transactions) affecting land (or an estate or interest in land) such that some person is the owner (or one of the owners) before and after the carrying out of the transaction(s), but another person becomes or ceases to become [*sic*] one of the owners.

The reference to a person ceasing to become an owner rather suggests that the draftsman was becoming somewhat bemused by his own verbosity. In the case of number 5, any person who is an owner before the carrying out of the transaction(s) but is not the sole owner thereafter, is to be regarded for section 19 purposes as a transferor.

It will be recalled that another requirement laid down by section 19 (1) (2) is that the 'transferor' or any person associated with the transferor becomes liable to pay rent under a lease of the land (or part of the land) or some other payment. How does one discover whether one person is associated with another? The answer lies in section 19 (11) which provides that the following persons shall be deemed to be associated with each other:

'(*a*) the transferor in any such transaction as is described in subsection (1) or subsection (2) of this section, and the transferor in another such transaction, if those two persons are acting in concert, or if the two transactions are in any way reciprocal, and any person who is an associate [*sic*] of either of those associated transferors;

(*b*) any two or more bodies corporate participating in, or incorporated for the purposes of, a scheme for the reconstruction of any body or bodies corporate or for the amalgamation of any two or more bodies corporate;

(*c*) any persons who are associates as defi Schedule 7 to this Act'.

As regards (*c*), it is paragraph 5 of Schedule 7 which defines 'associate' and 'associated' for the purposes of sections 17 and 18 (Chattels).

When an accountant is commissioned to prepare an income tax computation involving a deduction for rent or a similar payment, the unfortunate accountant will normally have no means of knowing whether or not his client, who pays the rent, is 'associated with' some transferor (in the extended section 19 sense) of the land in question. Moreover, it would be idle to ask the client himself, unless the latter happened to be a practising income tax expert. The section clearly adds a new terror to the task of preparing an income tax computation. Section 19 does not depend on some direction being made by the Inland Revenue, it applies automatically, and everyone is deemed to know the law.

Assuming now that from this welter of complicated provisions it is possible to establish in a particular case that a tax deduction for payments in respect of land is not to exceed the 'commercial rent' of that land, how does one know what the commercial rent is? Here enters another expert,

the valuer who can determine a hypothetical rent in hypothetical circumstances.

Two different definitions of 'commercial rent' are given, depending on whether the payment in question is or is not rent, etc., under a lease or licence. For a payment of the first kind (or several such payments taken together) 'commercial rent' means:

> 'the rent which might be expected to be paid under a lease of the land negotiated in the open market at the time when the actual lease was created, being a lease which is of the same duration as the actual lease, which is, as respects liability for maintenance and repairs, subject to the terms and conditions of the actual lease and which provides for rent payable at uniform intervals and:
>
> (*a*) at a uniform rate, or
>
> (*b*) if the rent payable under the actual lease is rent at a progressive rate (and such that the amount of rent payable for any year is never less than the amount payable for any previous year), a rent which progresses by gradations proportionate to those provided by the actual lease'.

This elaborate definition represents the Government's second thoughts introduced at the nmittee stage. In the original Bill as published, nmercial rent' was more shortly defined as:

> he rent which might be expected to be paid under lease of the land negotiated in the open market at the time when the lease was in fact created, and subject to the terms and conditions of that lease except as regards rent, being a lease under which rent is payable annually and the rent payable for any year is not less than the rent payable for any previous year'.

In the original definition, regard was to be had to *all* the terms of the actual lease, except the term as to rent, i.e. the hypothetical lease was on the same lines as the actual lease. The SOLICITOR-GENERAL explained the change by saying that the original wording left a gap; by inserting an onerous condition the rent could be artificially inflated. In other words, if the actual lease imposed on the lessor some great burden independent of repairs and maintenance, it would justify a high commercial rent. Presumably the Government feared that this burden would be more or less a sham one. It is still open to the lessor to accept a very heavy repair burden, and thus to inflate the 'commercial rent' in that way.

In their anxiety to close this real or fancied gap, the Government seem to have robbed the definition of any reality. Did the SOLICITOR-GENERAL realize that the 'actual lease' could well be a mere licence which gave to the licensee a very limited right to use the premises for a very limited purpose. Before the licence payments can now be attacked under section 19, it will have to be shown that they exceed the commercial rent of the premises under an ordinary lease. In other words, the amendment seems to have poured away the baby with the bath water.

This defect apart, the conception of commercial rent is only realistic if a short period of time is taken. If one is fixing a rack-rent to cover, say, the next ninety-nine years, the only certainty is the amount of rack-rent that the premises can command today. Leases of business premises for a period as short as fourteen years now commonly provide for a revision of rent (usually upwards and not downwards) after, say, the first seven years. This is a recognition of the fact that the parties are dealing with the unknown.

Suppose now that A. owns Blackacre, which is let on a short-term lease at an annual rent of £1,000, fixed at arm's length. In consideration of a premium of £8,000 he grants a ninety-nine-year lease to B., subject to and with the benefit of the short-term lease. The rent payable by B. is, say, £1 per annum. B. subleases the property back to A. for all but the last few days of the ninety-nine-year term, at a rent of £,1000 per annum for the first ten years and thereafter £2 per annum. Thus A. gives up his £1,000 a year rent for ten years (on which he would otherwise pay tax) and receives £8,000 tax free. Assume now that A. is entitled to a deduction in respect of the £1,000 a year which he pays to B., subject only to the operation of clause 19. This is precisely the kind of case which, according to statements in the House of Commons, section 19 is intended to hit, viz. all the rent bunched into the first few years of the term. But section 19 permits an attack on the £1,000 only if it exceeds the 'commercial rent'. No doubt the Revenue would argue that since the £1,000 is payable for only the first ninth of the term it must exceed the commercial rent. On the other hand, there is independent evidence that, at present, the arm's length commercial rent is indeed only £1,000. It still seems that the Revenue attack would be better mounted if it relied on the general principles referred to earlier in these articles, rather than on section 19. (*To be concluded.*)

The Future of the Accountant – III

DILEMMAS FACING THE PROFESSION

by W. T. BAXTER, B.Com., C.A.
Professor of Accounting, University of London

Management Accounting in the Future

AS we have seen, 'management accounting' tends to mean both budgets-cum-control and special budgets for decision-making. The former (budgets linked with cost control) seems to be contributing much that is of value, and will no doubt be used more and more widely. Perhaps the main criticism that might be levelled against it is that standard costs tend somewhat to divorce management from markets – by stressing 'controllable costs' (narrowly defined in terms of internal efficiency) rather than input prices. There must surely be many firms in which buying prices are more than tiresome irrelevancies, i.e. whose profit depends largely on the price savings that come from clever buying (varying the mix of inputs, and the timing of their acquisition). Can a foreman in such a firm be really efficient if he is trained to think of inputs in terms of their fixed standard costs rather than volatile market prices? Perhaps standard costs will in time be modified so as to draw more attention to the choice of cheapest inputs.

Because of the vast importance of this work, the accounting profession should be at pains to make sure that most of its trainees have experience inside a factory. Something in the present training scheme may have to be jettisoned to give future industrial accountants the needed time; executorship and insolvency are perhaps the most promising candidates.

It is in the realm of special budgets for decisions that the accountant is likely to have most trouble. This is because our traditional training disposes us to start off on the wrong foot. A man trained as, say, an engineer or economist tends to think readily of the amount of *change* in total figures. So, if he has to budget for the cost of a possible new activity, he can easily shut his eyes to everything except the *extra* sacrifices caused by it; he rightly defines cost in terms of cause and effect. The accountant, on the other hand, is trained to record *all* transactions, and to analyse them by categories that can scarcely show extra cost due to extra work.

An obvious example of the accountant's difficulty is the problem of overhead allocation – in departmental accounts, costing, and so on. Suppose a firm rents space for two departments of equal area at a total cost of £10,000 per annum. The accountant's training prompts him to allocate £5,000 to each department's income account. But this suggests the firm could have saved £5,000 if it had rented only enough space for one department – which is not necessarily true. It also suggests that £5,000 might now be saved by giving up one department – again not necessarily true. We can, for instance, readily imagine a landlord insisting on the whole space being rented *en bloc*, or else charging more than £5,000 for half the space.

It is probably stretching stewardship records too far to revise its joint figures by allocation. The safe rule is surely not to split the total of a joint cost. If the cost is relevant to a decision, then one should draft a special budget showing the probable change in the total that would follow from the decision. If, for instance, the firm in the preceding paragraph is considering the closing of one department, then the rent saving can most likely be found only by some such step as sounding the landlord about the terms on which he would revise the contract; his answer may well be that he would take, say, £3,000 less if either department were given up. The position cannot be shown by allocating total rent.

These arguments suggest we shall see a big growth in the popularity of variable (or 'direct') costing, in contrast to 'full cost' allocation of overheads. The former is simple, cheap, and free from the false impressions that can be given by allocated figures.

The costing problem can perhaps best be illustrated by listing alternative ways in which the yield from a product can be expressed. In effect, the cost accountant has the choice of describing the gain from making one of a firm's varied products in four ways:

(*a*) 'Its net profit per unit is £*a*' (net profit being sale price less fully allocated costs). Or

(*b*) 'Its net profit per hour is £*b*'. Or

(*c*) 'Its gross margin per unit is £*c*' (gross margin being sale price less variable cost only). Or

(*d*) 'Its gross margin per hour is £*d*'.

None of these statements is a perfect guide to management (because e.g. of problems of product mix). But (*d*) seems the least imperfect; it is the most likely to predict which product will contribute best to annual profit; (*c*) can mislead if the number of units (of the particular product that is being considered) made in an hour is not typical of all products; (*b*) can mislead because oncost allocation (particularly between products made in parallel) need not mean much; (*a*) combines the faults of both (*b*) and (*c*).

This is all part of a bigger problem – the extent to which we can trust averages. Suppose the annual profit and loss account is the best test of results. Then an average cost or profit *per hour* may have merit (if it is in fact a miniature version of the annual account). An average *per physical unit* (of product, or square foot of floor-space, etc.) is much more remote, and so may point the wrong way. It is too synthetic to be trustworthy. A manager's standing request to his cost accountant should perhaps be: 'Please multiply-up the data that you show me into likely annual equivalents.'

Allocation and Pricing

Many accountants who sympathize with the approach of avoidable costing are, however, worried about its effect on pricing, and for this reason hesitate to adopt it. They ask, for example, whether its low costs may not prompt salesmen to quote disastrously low prices.

This is a real problem, but there are several sound answers to it. Perhaps the most cogent is that the accountant can easily rank products in a league table based on their contribution (gross margin) per hour; the sales department should be able to see that a product low down on the list calls for a lot of awkward explanation. (And, after all, such a product may still be well worth making – e.g. during slack times).

But this is not always an adequate answer. Certain firms need a 'cost-plus' figure – or something that looks like it – if they are to get through the task of pricing; they may agree that in theory the manager should carefully weigh demand elasticity and marginal cost, but know that in practice this is out of the question. For instance, a jobbing engineer may have no existing prices to guide him in quoting for a single new article; and a firm that has to revise its catalogue for a thousand products must needs entrust the revision of these prices (in large part, at least) to subordinates using a rule-of-thumb.

Perhaps, here, the solution of future years will be to produce figures analogous to cost-plus, but to call them not 'costs' but 'prices'. Thus a product that uses a given cost centre would be charged with a sort of hourly price or rent (like the passenger in a hired car). The change of name from 'cost' to 'price' may not seem to mean much and often might not lead to different figures, but it would be a revolution in mental attitude, and would do much to encourage sound decisions. For instance, no one would hesitate to put 'prices' down or up if, for example, the cost centre's machines were becoming obsolete, or if it were on the verge of congestion because of high demand; yet these factors do not alter historical cost one whit.

If these arguments have any truth in them, they may explain why costing has sometimes to give ground to the clearer logic of operations research.

The Rules of Decision Budgets

Let us now turn to the special budgets that will probably be needed more and more for decisions (as distinct from control). This is to some extent unknown terrain, but perhaps the rules for such budgets can be set out as follows:

1. *Alternative budgets*

To forecast the results of a proposed activity (for shortness, call it a job), fundamentally one must try to guess what two alternative budgets for the whole firm's workings will look like if the job (*a*) is done, and (*b*) is not done; if budget (*a*) shows a net surplus over (*b*), the firm should do the job. Many of the firm's costs and revenues will be the same for both (*a*) and (*b*); these common items are irrelevant, and we can both save work and gratify logic by missing them out. Thus the budgets can concentrate exclusively on *items that the job will change.*

2. *Cash budgets*

Just as we can sum up historical results in various kinds of accounts (e.g. a profit and loss account), so too can budgets take various forms. The easiest form is based on cash; and the flow of cash for dividends etc. is precisely what interests most investors. So there are strong grounds for choosing cash budgets. Such budgets should be

forecasts of potential changes in a future cash account – no more, no less.

We should, however, re-state the cash figures if they are spread over long periods, by using compound interest tables to reduce them all to common equivalents. Such manipulation of long-term cash flow with compound interest is the hall-mark of what is often called *capital budgeting*. Accountants will find it hard to play much part in this important new field if their training gives no practice with actuarial tables. The stress on compound interest in the syllabus of, e.g. the Scottish Institute, now seems doubly justified.

3. *Historical cost excluded*

A cash budget cannot include anything save future cash changes. This rule is simple, and helps us to think straight. Often it upsets accounting methods that have become ingrained in us.

Historical cost, for instance, cannot be used by the accountant when he is drafting a cash budget (except as a guide to the size of future costs). Thus historical depreciation is not found in a cash account, so neither should it be put in a cash budget; instead the future purchase price of new plant and the scrap value of the old are likely to be the useful figures. If obsolete plant has not yet been written off, this is just too bad; the manager should ignore the point when deciding whether to replace.

Again, if materials are taken from stock for a job, then their cost – in the sense of the present sacrifice due to the decision to use them on the job – is not (save by coincidence) the price once paid for them. Instead we must ask what effect their using-up will have on the future cash-book (see 5. below).

4. *Commitments*

Likewise a job cannot create a cost if the firm must make the payment anyway. So commitments, like historical costs, are not true costs for our present purpose, and should be ignored. (Or, if you will, they should be put into *both* budgets (*a*) and (*b*) of rule 1. above, so cancelling one another and having no effect on decisions.)

Thus even a future cash payment for input is irrelevant if the firm is already committed to make the payment; for instance, if goods are already on order, then their cost in today's budgets is no longer the future cash payment for the agreed price, but other future figures found by rules such as those in 5. Again, suppose that a firm will not in fact fire labour during idle spells; then wages are no cost to a job done at such times.

What makes cost is thus not 'directness' (in the sense that a cost clerk can trace the input to a job), but the fact that the firm could avoid the outlay by not doing the job.

A rather upsetting corollary of this rule is that a job's cost changes from date to date, according to stage of commitment. Thus at a late stage the firm may rightly decide to finish a job even though the expected sale price has fallen disastrously – so long as that price still exceeds the outlays to which the firm is not yet committed.

5. *Effects of using input*

The cost of using an input (already acquired) depends on future alternatives. We must adopt a 'what difference does it make' approach to find it. Consider further the materials mentioned in 3. Their cost could be one of several figures:

(i) If the goods are plentiful, and will in fact be replaced, then their use on the given job means that cash will as a consequence be burdened with their *replacement cost*. So the latter is normally the right figure at which to charge issues.

(ii) If, however, the firm does not want to replace the goods, because e.g. they are obsolete, then their use on this job merely deprives the firm of cash benefits (probably small) connected with other possible uses: the goods might be sold as scrap, or worked off on jobs for which they are not really suited. So their cost is now probably the higher of scrap value or the replacement cost of the other jobs' relevant materials. If they are no good for anything, then their cost to the job is nothing.

(iii) Both (i) and (ii) assume the goods to be plentiful. If instead they are in scarce supply, then other jobs may be handicapped because the goods are used on this job. Cash will then be burdened with e.g. higher payments for dear substitutes, or loss of net revenue because other jobs are squeezed out. The budgeter has here an awkward task.

It is, of course, in this sort of context that the economist's concept of opportunity cost is so helpful.

These rules, coupled with our earlier ones for average costs and pricing, are not at all palatable to those of us who have been through the mill of traditional training. (*To be concluded.*)

The Cost of Marketing and Selling

by R. WARWICK DOBSON, C.A., F.C.W.A.

From a forthcoming new book by this well-known and authoritative author, entitled* Management Information and Accounting[1], *in which considerable space is devoted to budgeting and reporting the expenditure and costs of marketing and selling.

COSTING was born in the factory. It was developed in the factory because production accounted for the greatest proportion of the expenditure of a business at the time it was being developed. Managers and accountants were so preoccupied with production that they forgot about reporting the rapidly-rising costs of distribution. No longer were these to be accounted for by adding 5 or 10 per cent to production cost, because they were rising at a faster rate than the production costs (just like 'overheads' and the 'direct labour' to which they were applied) – production costs on which they had concentrated for so long.

It will be seen that the costs of customers, products, and orders are marginal. Experience shows that this is a more satisfactory way of reporting the costs for the purpose of control by management than using arbitrary total costs.

Budgeting Activity and Expenditure

The selling activity budget is based primarily on the budget of sales. It is necessary to take account of the variations in activity caused by such things as the size of a salesman's territory, the frequency of calls on customers, the volume of turnover from each customer, and class of customer, the degree of competition. The selling activity budget, therefore, is ultimately based upon an anlaysis of these factors.

The activity may be measured in terms of number of customers, number of calls, number of new customers, quantity of goods sold, depending on which reflects most accurately the characteristic which limits profitable sales.

The expenditure is budgeted on the basis of the number of salesmen, managers and clerical staff required to service the customers and the equipment, materials and services they require to operate.

[1] To be published on July 31st, by Gee & Co (Publishers) Ltd, 151 Strand, London WC2. Price 50*s* net, 52*s* 3*d* post free U.K.

Reporting Activity and Expenditure

Periodically an operating statement may be prepared on the lines illustrated in Table 1.

The expenditure is detailed as in Table 2. A statement of this kind reveals the changes in cost which have taken place as a result either of changes in the market or changes in the methods of selling, It also provides a means of establishing cost standards per customer, call, salesman, sales £, etc., for use in planning selling methods and budgeting expenditure. It also reveals the effect of changes which may have taken place in the managerial and clerical organizations.

Using the periodic reports sent in by salesmen to determine activities and accounting records to determine sales, margins and selling expenditure, statements in this form (excluding clerical and managerial expenditure and total expenditure per unit) may be prepared for individual salesmen, or all salesmen under individual supervisors, in specified territories, areas, etc.

Comparisons may then be made to determine better and worse than average performances. Examination in detail may then reveal the causes of variations – the market, the salesman, the method of selling, competition, the product.

In shops and stores, the analyses may be made by department or salesman.

Reporting Costs

Although this chapter deals with the marketing and selling activity only and not with physically distributing products, it is, nevertheless, an appropriate place to consider cost information which relates to the whole distribution activity.

Basically, management requires information about the distribution costs of:

(1) products;

(2) customers and markets;

(3) orders.

TABLE 1

Operating statement: direct selling for period ended..............19..

Current period				Periods to date		
Budget	Actual	Variation		Budget	Actual	Variation
			Sales Profit margin £s .. .. Profit margin per cent of sales			
			Activity No. of customers .. .. Sales per customer .. No. of calls .. .. .. Sales per call .. .. No. of salesmen .. .. Sales per salesman			
			Expenditure Selling .. .. .. Clerical .. .. .. Managerial			
			Total			
			Selling expenditure per: Sales £ .. .. .. Margin £ .. .. .. Customer .. .. .. Call .. .. .. Salesman			
			Total expenditure per .. Sales £ .. .. .. Margin £ .. .. .. Customer .. .. .. Call .. .. .. Salesman			
			Profit on selling: £s .. .. Per cent of sales .. .. Per Sales £ .. .. .. Margin £.. .. .. Customer.. .. .. Call .. .. .. Salesman			

The following kinds of information may be prepared periodically.

Product Costs

In the statement shown as Table 3 the expenditure which is influenced entirely or mainly by the characteristics of the products is analysed by product group. A statement in this form shows the following:

(1) Margin: sales less manufacturing cost:
   (*a*) average is 26 per cent;
   (*b*) range is 20 to 33 per cent, i.e. 13 per cent.

(2) Margin less costs:
   (*a*) average is 15 per cent;
   (*b*) range is 8 to 25 per cent, i.e. 17 per cent.

(3) Distribution costs:
   (*a*) average is 11 per cent;
   (*b*) range is 8 to 13 per cent, i.e. 5 per cent.

(4) Most profitable product E, has:
   (*a*) highest margin, i.e. 33 per cent; and
   (*b*) lowest total cost, i.e. 8 per cent, and carrying cost, i.e. 3 per cent.

(5) Least profitable product D, has:
   (*a*) lowest margin, i.e. 20 per cent; and
   (*b*) second highest total cost, i.e. 12 per cent, and carrying cost, i.e. 7 per cent.

(6) Product C with one of the highest costs, i.e. 13 per cent has an adequate margin, i.e. 33 per cent, while product B has not, i.e. 25 per cent.

The interpretation of the statement is made by comparing percentages.

Customer Costs

A statement is shown at Table 4 of the expenditure which is influenced mainly or entirely by the characteristics of the market analysed by large customers and types of outlet or trade. This statement shows the following:

(1) Margin: sales less manufacturing cost:
 (a) average is 26 per cent;
 (b) range is 20 to 30 per cent, i.e. 10 per cent.

(2) Sales less costs:
 (a) average is 10 per cent;
 (b) range is −6 to 14 per cent, i.e. 20 per cent.

(3) Distribution costs:
 (a) average is 16 per cent;
 (b) range is 8 to 26 per cent, i.e. 18 per cent.

TABLE 2

Direct selling expenditure for period ended.....................19..

Current period: Budget	Actual	Variation		....Periods to date: Budget	Actual	Variation
			Selling			
			Salesmen			
			Salaries			
			Commission			
			Living expenses			
			Selling aids			
			Samples			
			Equipment			
			Entertaining			
			Transport			
			Maintenance			
			Running			
			Public			
			Total			
			Total per cent			
			Clerical			
			Staff			
			Salaries			
			Expenses			
			Equipment			
			Supplies			
			Managerial			
			Staff ..			
			Salaries			
			Expenses			
			Equipment			
			Supplies			
			Total			
			Total per cent			

TABLE 3

Distribution costs by product group for period ended..............19..

To nearest £1,000

Product Group	Sales		Margin		Distribution Costs: Packing		Storing		Carrying		Managing		Total		Margin less costs	
	£	Per cent	£	Per cent	£	Per cent	£	Per cent	£	Per cent	£	Per cent	£	Per cent	£	Per cent
A	175	100	35	20	2	1	—	—	12	7	2	1	16	9	19	11
B	244	100	61	25	5	2	7	3	15	6	5	2	32	13	29	12
C	84	100	28	33	1	1	2	2	7	9	1	1	11	13	17	20
D	35	100	7	20	1	3	—	—	2	7	1	2	4	12	3	8
E	102	100	34	33	1	1	3	3	3	3	1	1	8	8	26	25
All products	640	100	165	26	10	2	12	2	39	6	10	1	71	11	94	15

TABLE 4

Distribution costs by customer and trade for period ended................19..

To nearest £1,000

Customer or Trade	Sales		Margin		Distribution Costs										Margin less costs	
					Advertising		Selling		Administering		Managing		Total			
	£	Per cent	£	Per cent	£	Per cent	£	Per cent	£	Per cent	£	Per cent	£	Per cent	£	Per cent
ABC Ltd	42	100	8	20	1	2	2	4	1	3	—	1	4	10	4	10
MNO & Co	36	100	7	20	1	1	1	3	1	3	—	1	3	8	4	12
XYZ Corporation	32	100	8	25	1	3	2	6	1	4	1	2	5	15	3	10
Trade																
DEF	56	100	11	20	1	2	3	5	2	3	—	1	6	11	5	9
GHI	94	100	28	30	4	4	7	7	4	4	—	1	15	16	13	14
JKL	273	100	77	28	8	3	19	7	14	5	3	1	44	16	33	12
PQR	91	100	23	25	8	8	9	10	5	6	2	2	24	26	−1	−1
STU	16	100	3	20	1	3	1	6	2	9	—	3	4	21	−1	−6
All customers	640	100	165	26	25	4	44	7	30	4	6	1	105	16	60	10

(4) Most profitable customers in trade GHI, have:

(a) highest margin, i.e. 30 per cent; and

(b) average total cost, i.e. 16 per cent.

(5) Least profitable customer, trade STU, have:

(a) lowest margin, i.e. 20 per cent; and

(b) high total cost, 21 per cent and highest administrative cost 9 per cent.

(6) Highest cost customers, trade PQR, have:

(a) highest advertising cost, i.e. 8 per cent; and

(b) highest selling cost, i.e. 10 per cent.

The interpretation of the statement is based on a comparison of percentages.

Total Position

The total position is as follows:

To nearest £1,000

	£	Per cent	£ Customer influenced	Per cent	£ Product influenced	Per cent
Sales	640	100				
Manufacturing	475	74				
Margin	165	26				
Advertising	25	4	25	4	—	—
Selling	44	7	44	7	—	—
Packing	10	2	—	—	10	2
Storing	12	2	—	—	12	2
Carrying	39	6	—	—	39	6
Administering	30	4	30	4	—	—
Managing	16	2	6	1	10	1
	£176	27	£105	16	£71	11
Loss on distribution	£11	1				

Order Costs

The statement at Table 5 shows the expenditure which is influenced mainly or entirely by the size of order. The expenditure is, naturally, less than the expenditure in the two previous statements. This statement shows the following:

(1) Margin:

(a) average (as before) is 26 per cent;

(b) range is 20 to 32 per cent, i.e. 12 per cent.

(2) Sales less costs:

(a) average is 10 per cent;

(b) range is −2 to 16 per cent, i.e. 18 per cent.

(3) Order costs:

(a) average is 16 per cent;

(b) range is 4 to 34 per cent, i.e. 30 per cent.

(4) Most profitable size of order, over £100 has:

(a) lowest margin, i.e. 20 per cent; and

(b) lowest costs, i.e. 4 per cent.

(5) Least profitable size of order, under £5, has:

(a) highest margin, i.e. 32 per cent; and

(b) highest costs, i.e. 34 per cent.

(6) Almost 10 per cent of sales, i.e. £59,000 in orders under £5, are unprofitable.

(7) If orders up to £9, i.e. £146,000, were as profitable as orders of £10 to £74, i.e. 11 per cent, the distribution loss of £11,000 would be reduced by £10,000, i.e. 11 per cent of £146,000, £16,060 less existing margins less cost, £7,000—£1,000.

TABLE 5

Distribution costs by size of order for period ended........................19..

To nearest £1,000

Size of order	Sales		Margin		Distribution costs										Margin less costs	
					Selling		Storing and packing		Carrying		Administering		Total			
	£	Per cent	£	Per cent	£	Per cent	£	Per cent	£	Per cent	£	Per cent	£	Per cent	£	Per cent
Over £100	19	100	4	20	—	—	—	—	1	4	—	—	1	4	3	16
£75–£99	27	100	6	22	—	—	—	—	2	7	—	—	2	7	4	15
£50–£74	44	100	10	23	1	2	1	3	3	7	—	—	5	12	5	11
£25–£49	193	100	46	24	9	5	5	3	8	4	3	—	25	13	21	11
£10–£24	211	100	55	25	10	5	5	2	12	5	5	2	32	14	23	11
£ 5–£ 9	87	100	25	29	8	9	2	2	5	6	3	4	18	21	7	8
Under £5	59	100	19	32	9	15	3	5	5	9	3	5	20	34	–1	–2
All orders	640	100	165	26	37	6	16	2	36	6	14	2	103	16	62	10

The Accounting World

UNITED STATES

Matrix Book-keeping

MR A. WAYNE CORCORAN, C.P.A., introduces to book-keeping the 'matrices' which are found in linear programming. Writing in the *Journal of Accountancy*, he describes the matrix as a set of numbers arranged as a grid containing subsets, which may be any row or column of numbers or any combination of rows or columns. In matrix algebra the subset row or column is called a vector, and he proposes the same for book-keeping.

Numbers are assigned to each account, e.g. (1) Cash, (2) Accounts receivable, (12) Sales, etc. The columns may be debits and the rows credits, or vice versa. A transaction is entered in the matrix by placing the monetary figure in the cell that is formed by the intersection of the proper column (say, the account to be debited), and the proper row (the account to be credited). The last three rows and columns are reserved for entering and calculating the account balances, the last but two being for the opening balances, the last but one for the sum of the column entries including opening balances, and the last for the ending balances.

Mr Corcoran says that, in practice, book-keeping time is cut by about one-third by the use of matrices, the matrix serving the combined purpose of general journal, cash disbursements journal, and general ledger. He suggests that the leading colleges and universities will have inducements for teaching matrix book-keeping for the time-saving in examination work-sheets and, above all, because it offers a natural stepping-stone to linear programming. If this facilitates the introduction of operations research techniques, the leading universities could produce students who could make the transition from auditors to management consultants.

Expanding Role of the Internal Auditor

THE results of a study on 'Internal Auditing' by Mr Francis J. Walsh, jun., of the National Industrial Conference Board, were recently reported in the *Journal of Accountancy* (New York).

While internal auditing has become widespread, it was found that the average of internal auditors per 1,000 employers is only 1·3, and that internal auditing departments comprise less than ten men in 60 per cent of the large- and medium-sized corporations surveyed. One reason is said to be the shortage of high calibre personnel. A number of companies deliberately use internal auditing as a training ground for executive development. In many companies the internal auditor has gone beyond his traditional field of financial auditing, taking on such tasks as systems appraisal and checking compliance with company policy, but in only a minority does he apply measures of profitability.

An indication of the advance in the internal auditor's status is the reported fact that more and more companies require him to report either to the president or to a member of the board of directors. There is said to be a tendency for the internal auditor to withdraw from activities performed in a professional accountant's audit and, in some cases, to abandon pre-auditing altogether.

SOUTH AFRICA

New Legislation Affecting Auditors

TWO Bills, one to amend the Banking Act, 1942, and the other to amend the Building Societies Act, 1934, have recently been introduced in the South African Parliament and will undoubtedly be enacted, substantially in the form as presented, during the present session.

Both Bills provide for the insertion in the original Acts of new sections which have almost the same wording in each case. These new sections will provide that 'where the auditor of a society (banking institution) is a partnership the appointment of such auditor shall not lapse by reason of a change in the composition of the partnership as long as not less than half the persons who were partners as at the date when the partnership was last appointed continue to be partners therein.'

The value of such a legal provision to firms who hold appointments as auditors of such institutions can readily be estimated.

AUSTRALIA

Report of Australian Society of Accountants

MEMBERSHIP of the Australian Society of Accountants for the year ended December 31st, 1963, numbered 25,365 compared with 24,464 the previous year according to the annual report of the Institute's General Council. A summary of the total membership shows that there were 8,334 situated in Victoria, 8,345 in New South Wales, 2,809 in Queensland, 2,379 in South Australia, 1,894 in Western Australia, 559 in Tasmania and 1,045 overseas.

Referring to the introduction of decimal currency in Australia in February 1966, the report acknowledges that this will present members of the profession with a number of problems and emphasizes the need for close study of all official announcements dealing with the changeover. Two groups of the Society's members, one in New South Wales and the other in Victoria, are currently engaged on the preparation of a statement on the implications on accounting procedures relating to the introduction of decimal currency. It is hoped, the report adds, that the statement will be published by the Society later this year.

On the subject of a comprehensive form of registration of accountants embracing all members of the profession throughout Australia (advocated ever since the inception of the Society) the report states that as it is not constitutionally possible to achieve this on a country-wide basis by Commonwealth Government legislation it has become necessary to approach the matter on a State basis by representations to individual State Governments. To co-ordinate these approaches, the Council of the Society has appointed a committee to organize a campaign for the registration of accountants throughout the country. Considerable progress was made during the past year in discussions with the Victorian Government. As a result, the Council of the Society's Victorian Division tested the views of its members by means of a referendum. A total of 76·2 per cent responded and of these, 97·5 per cent were in favour of the proposals. Following favourable reaction by the State's Attorney-General, discussions on the subject are now proceeding with the Victorian Council of the Institute of Chartered Accountants in Australia.

CANADA

Chartered Accountant Elected Chancellor of McGill University

MR HOWARD I. ROSS, M.A.(OXON.), LL.D., D.SC.(COMPTABLE), O.B.E., C.A., President of the Canadian Institute of Chartered Accountants has been elected Chancellor of McGill University, Montreal.

Mr Ross, who is a partner in Touche, Ross, Bailey & Smart, of Montreal, was admitted to membership of the Canadian Institute in 1937. His election as Chancellor of McGill is the culmination of many years of service to the University and in the university field generally.

Many Canadian chartered accountants in recent years have been appointed to tasks of national importance, but this is the first time that a member of the profession has been so highly recognized by an academic institution. The profession in Canada may well take pride that the President of the Institute, by his own achievements, has been elected to such a distinguished position.

Implementation of the Glassco Report on Government Organization

TWO major recommendations of the Glassco Report on Government Organization have been put into operation. Last autumn the Canadian Government accepted the recommendation that departments of government be given a greater measure of financial authority and be held more accountable for departmental management. Early this year the Cabinet decided to place the Treasury Board under the chairmanship of a separate Minister, President of the Treasury Board. The Bureau of Government Organization was established in January 1963, forming a unit in the office of the Privy Council. In carrying out its investigations it has adopted the committee-task-force method.

For several months, it is reported, the Government has been testing the validity of the recommendations on financial management before implementing them. Four departments, engaged in feasibility studies have, employed management consultants. It is suggested that the Glassco Commission may prove to have had a greater impact on Government in Canada than the Hoover Commission exercised in the United States.

Accounting Information - II

An Essential Aid to Efficiency in the Medium-sized Business

by R. EDWARDES, F.C.A.

Long-term Forecasts

LONG-TERM forecasts based chiefly on long-term sales forecasts for each of the next three years will usually be found adequate for average medium-size business requirements. In practice few businesses in this country will commit long-term forecasts to paper. Where they do, each business may have its own special features which will decide the period covered by the forecasts which must of necessity cover a wide range of problems. These will reflect the broad policy of the business and include, for example, decisions concerning selling prices, suppliers, dividends and changes in taxation, Government legislation and overseas markets. The long-term plans will include a profit forecast – a forecast of capital expenditure and a cash forecast. Sales considerations will usually rely on some form of market research on which the marketing or sales forecast for each of the three years can be based. Included will be details of quantities and value of the main products analysed into area and market, e.g. home and export. Consideration of the sales forecast should show the company's probable share of the available market, indicating any likely expansion or contraction in this market. Much will depend on this forecast as clearly all future expansion and development of the business, in terms of buildings capacity and labour, will be determined by the future sales order position.

41. The profit forecast for each of the three years will be based on the value of estimated sales from which will be deducted the estimated cost of production obtained from the supplies and works managers. They have the responsibility for establishing the materials, direct and indirect labour and services which will be required.

42. The forecast of capital employed usually includes all items of a capital nature and can be divided conveniently into fixed assets and working capital. The need for additional buildings, plant and equipment will be established by the sales and production forecasts. Other considerations will include the need to replace fixed assets either through normal wear and tear or obsolescence. Working capital forecasts will include the estimated levels of stock and work in progress, debtors and creditors required to support the estimated sales and production forecast.

43. The accountant will perhaps be more directly involved in the preparation of the cash forecast than in the sales, production and capital expenditure forecasts. A summary for each of the three years showing the effect of the other budgets on the cash position will be prepared and also include estimates for taxation and dividends.

44. The importance of the cash forecast cannot be too strongly stressed. Many managements fail to appreciate that business can operate at a loss under certain conditions for some years, whereas serious overtrading can quickly bring liquidation where profits are locked up in fixed and current assets. The need to ensure adequate liquid capital can all too often be overlooked in a period of rapid expansion. The cash forecast will indicate the adequacy or otherwise of finance with which to carry on the business – if there is a surplus then advice can be obtained from the company's bankers as to the best types of investment which can be quickly realized if necessary. On the other hand where there is likely to be a deficiency, a possibility of borrowing facilities must be considered and the various avenues open such as bank overdrafts, preference or ordinary share capital and debentures must be fully explored.

Short-term Budgets

45. Budgets based on the company's financial year for comparison purposes are required in much more detail and form a basis for the day-to-day control of the business. As in the preparation of the long-term forecasts, an indication of the profit required should be given by the board. The essential difference is that operations have now to be planned and management at all levels is responsible for achieving these plans.

46. Unfortunately too little consideration is often paid at this stage by medium-size business to the factors which really require attention and assumptions based on past experience are too readily accepted as the normal. For example it is all too often taken for granted that factors such as the current proportion of sales mix, small batch orders – bought-out finished goods, sub-contract work – labour force – capacity and production planning will apply again the following year. All these items must be critically examined and an attempt made to assess their behaviour in the year to which the budget relates.

47. Budgets may be conveniently grouped into operating budgets, capital expenditure budgets and a cash budget. Although it is usual to base the budgets on the sales budget, sales normally being the principal

The concluding part of a paper presented at the Oxford Summer Course of The Institute of Chartered Accountants in England and Wales last week.

limiting factor governing the company's activities, it will be necessary to determine this position in advance otherwise the budgets will have to be re-drafted if it is found, for example, there is insufficient capacity available to meet the sales programme.

48. Operating budgets include the sales budget, manufacturing budgets, administration budget and research and development budgets. The sales budget showing quantities and value in detail will be agreed with the sales manager whose responsibility it is to achieve the sales target. In addition he will also be responsible for selling expenses, advertising, and publicity expenditure.

49. A manufacturing programme will be drawn up by the works manager from which requirements for raw materials, labour and production capacity can be prepared. Production should be balanced with the sales estimate so that any under- or over-capacity can be ascertained. Where these items are seriously out of balance appropriate adjustments may be possible through sub-contract work and an increase or decrease in the sales budget. The availability of materials required will be considered and the cost estimated by the supplies manager. Labour requirements will be indicated by the departmental managers, this aspect being very much affected by overtime, double shift working, rates of pay and local conditions. Departmental managers will also provide budgets of works expenses which will be classified into fixed, variable and semi-variable expenditure. This can prove to be a difficult exercise in practice, especially if a disproportionate amount of time is not to be wasted trying to classify these categories too accurately.

50. Similar consideration will apply to the budgeting of administration expenses although research and development expenditure will invariably be more difficult. There is usually so little of a factual nature available on which to estimate development expenditure, a serious effort must be attempted, however, and adjustments made for any direct recoveries from development contracts the company may have obtained.

51. The capital expenditure budget will set out policy concerning the renewal, modernization and extension of land, buildings, plant and equipment. Details of the estimated cost will be required showing where possible the estimated savings likely to accrue from this expenditure. There are many complicated methods of making this calculation, few I suspect are ever used or really understood by the manager requesting authorization for the expenditure.

52. A cash budget – revised monthly – setting out receipts and payments from all sources will invariably be found essential for most expanding companies. If finance is particularly tight the cash position may well have to be reviewed weekly.

53. Budgets showing anticipated increases or decreases in the balance sheet items of stock and work in progress, debtors and creditors will complete the picture, enabling a balance sheet budget and a cash forecast on a profit basis to be drawn up. A summary of the budgeted profit position and the anticipated return on capital employed can now be presented to the board for approval. If this profit is not satisfactory, it may be necessary to prepare alternative budgets based on different levels of activity and assumptions. This will usually include further consideration of the various measures available for increasing sales volume, such as selling price increases for example, or an intensive advertising campaign. A reduction in costs may also have to be considered, together with a reduction in stock levels and proposed capital expenditure. The effect of all these reductions and their inter-relation with one another will, of course, have to be very carefully considered, otherwise the result from a business point of view can only too easily be the opposite of that intended.

Accounting Information for Control

54. How can accounting information be used for control purposes? Actual economies in operation can best be made at source by the sales force for example, or on the factory floor, but it is in calling attention to areas of likely saving through the systematic analysis of results that accounting information can be used really profitably. This means the presentation of period operating statements and reports, usually monthly, comparing divergencies from planned performances so that corrective action may be taken.

55. Too much information presented as a matter of routine, however, will in practice tend to be ignored. More attention is often paid to information supplied as and when requested for particular purposes on the appraisal of results and the analysis of future projects.

56. The accounting service is, therefore, organized to provide operating statements and control information showing actual performance against budget as a matter of routine. A financial analysis section carefully analyses specific projects having full regard to the economic factors involved and highlights those factors on which it is vital management takes decisions and acts accordingly.

57. It is not generally realized that apart from control information obtained from sales records and production control statistics, virtually the whole of the information on which the managing director bases his system of internal control appears in the accounting records. The accountant, moreover, because of his unique opportunity to obtain a comprehensive view of the business as a whole is in a very favourable position to report on many forward projects which can help a business towards greater efficiency.

58. The information presented in the operating statements and reports, the various methods of presentation and frequency will be determined largely by the type of product manufactured and the characteristics of each business. Much will depend on the individuals receiving the information – some

managers have strong views on the form of presentation and prefer graphs, charts and diagrams whilst others find it convenient not to express any opinion.

59. The whole subject of business control is dealt with very adequately in a number of excellent books and other publications, one of which, The Institute of Chartered Accountants in England and Wales' booklet entitled *Business Efficiency – The Contribution which the Accountant can make*, is particularly comprehensive. Any serious study made of it by accountants and, one may add, responsible managers in industry, will be amply repaid.

60. The main functions of a business may be grouped under the headings of sales, production, finance and general management. I now propose to consider the presentation of accounting control information required to exercise these functions, dealing firstly with operating statements and routine control reports before considering cost studies, *ad hoc* investigations and financial analysis work.

61. Operating statements will be prepared for each department of the business over which control can be exercised by the manager responsible for that department, more detail being omitted as the statements are passed up the management pyramid. Thus daily and weekly information in value and quantities may only be necessary for foremen and supervisors on the shop floor. Only broad summaries in *£ s d* may be required by top management, showing the profit or loss for the month, the main reasons for the variances between actual and budget, and the causes thereof.

62. Sales invoiced in terms of value and quantity together with the standard cost and standard profit by product group, will be shown in the sales analysis section of the operating statements. Explanations will be obtained from sales management for important divergences from budget in order to pin-point the more profitable orders and more important still, the less profitable orders. Selling expenses have a tendency to increase in direct proportion to the activity of the sales force and require careful supervision. It is important, therefore, to check sales efficiency by a comparison of selling expenses against budget and also against the volume of orders obtained.

63. Statistics concerning the order position are usually prepared by the sales department and include details of orders received during the month with an analysis of orders on hand at the month-end. Any report from the accountant on sales delivered would include details of quantities and values by product groups together with an analysis between home and export sales, analysed further into countries, areas and customers whichever reflects key selling factors to the business. Comparisons against the previous month, same month last year and budget will also be given as well as cumulative sales to date or moving annual totals, highlighting trends and divergences from budget. Explanations will be given for sales price and sales mix variances detailing special discounts and allowances for both home and export markets, together with reasons for any substantial credit notes issued to customers during the month. In addition, information on product costs and profit margins for each product sold will be required from time to time to assist in the fixing of selling prices.

64. Production will be shown in the operating statements usually under departments, showing output against budgeted standards. Output in many industries may be represented by standard hours of good productive work, which with raw materials will have been transferred into work in progress during production and taken out on the transfer of finished products from the production line to the finished parts store.

65. It is probably true to say that few other operations exercise the accountant's skill as accounting for accurate production costs. Much misunderstanding may occur between accountants and management on the subject of actual product costs for the simple reason that they do not exist, based as they are on costing conventions. It is wise to explain the assumptions and conventions used to arrive at these costs at the outset to management, if a disproportionate amount of time and energy is not to be dissipated in explanations which could be put to better use improving operating costs and volume of output.

66. Production losses must be recorded so that work in progress is not inflated with the value of raw materials which should have been written off and with any losses in the use of labour. The operating statement will then show variances from standard due to changes in material prices and usage, variances from standards due to the efficiency of operators in working and rates of payment made; in addition, variances of actual expenditure against budgets for departmental and general works overheads will be shown.

67. Control information presented daily, weekly or monthly depending on the requirements of supervisors and managers concerned will be necessary to show the efficiency in the use of material, particularly where this is a key factor and the cost of scrap and spoilage at each stage of manufacture. Similar information on the efficient use of labour will include the relationship between the cost of direct labour hours and indirect labour with an analysis of responsibility for the latter, number of employees, overtime, details of operators' efficiency, idle time, absenteeism and departmental activity – all with a comparison with standards. This information will be vital where skilled labour or the lack of it is a key factor, as in many businesses today.

68. Production management may require reports from the accountant on running times of machines actually used against total capacity available and an analysis of idle time and its causes. Cost of production services such as maintenance, power supply, stores and toolroom, will be necessary showing variances from budget and a comparison of the cost of operating these services against any similar service provided by outside contractors.

69. Production management may also require a

report on raw materials stores, consumable stores, loose tools, work in progress, redundant stores and slow moving stocks indicating whether the quantities held are too large or too small. Explanations should be obtained from production for any significant difference between actual stocks held and budgeted stocks, the latter indicating the number of weeks' stock to be held for the main categories. Considerable working capital can be tied up in these items and large losses be incurred on unsuspected redundant and obsolete items.

70. Accounting information supplied to general management will usually be expressed in monetary values, highlighting the financial position of the business. As general management avoids becoming immersed in detail presented as a matter of routine it will only be necessary to supply each month a summary operating profit and loss statement, a sales analysis, previously referred to, and a summary showing the effect on profits of all activities relating to each main department of the company.

71. These statements will show the net profit for the month and cumulatively, comparison with the previous month, same months in the previous year and with budget. The stages in arriving at net profit after charging variances from standard, administration expenses, and development expenditure, interest charges, exceptional items, provisions, estimated taxation and dividends will also be shown. The sales analysis will show the profitability by product groups and other significant divisions, also a comparison of sales with budget. General management will require a report dealing with the reasons why actual profit differs from budget. The variances reported upon will include material prices, material usage, operators' efficiency, rates of pay and volume. The overall effect of increased or decreased production during the month on costs fixed and variable and hence on profits will be highlighted. Comments upon the overall position of the business will be made presenting the facts in such a way as to disclose significant trends. Comparisons with the performance of other businesses, as disclosed by information obtainable from Board of Trade statistics, Ministry of Labour publications and trade associations will also be included where relevant. Moving annual totals with appropriate comparisons may also be required.

72. A monthly balance sheet incorporating a summary of the changes that have occurred in assets and liabilities since the previous month and cumulatively, is usually required, and comparison with budget. Sufficient information is now available to calculate the return on capital employed, whilst most companies may also require to know the ratios of sales to capital employed and net profit to sales, which can be incorporated in the report. Ratios, however, are somewhat like lamp-posts on occasions, more for support than for illumination. They are of little use unless compared with other yardsticks, whilst comparisons with similar ratios of what appear to be more efficient companies in the same line of business can be quite misleading.

73. A summary of stocks and work in progress showing values of raw materials, work in progress and finished goods at the month-end will be produced at the same time as the operating statements. Although production control is responsible for controlling the level of stocks and ensuring that factory personnel are fully aware of the need to keep materials moving through the factory, accounting reports can assist this control by indicating the reasons for and the cause of any increase or decrease. An adequate level of stocks and work in progress, keeping the factory going efficiently to meet the current rate of production without tying up excessive working capital, is the ideal to be aimed at. The report will also show a comparison against budget and against the previous year-end figures, also the number of weeks' production held in stock for the main categories.

74. A statement showing cash received and paid out during the month will be prepared and compared with budget. A report will indicate the necessity for (i) getting in money more quickly from customers and the method suggested of inducing this, (ii) reducing stocks where this is possible, and (iii) arranging for a more permanent source of finance, for example a bank overdraft, or an increase if these facilities are already being used. If these measures are not sufficient, many companies have successfully delayed payments to suppliers for longer periods than they care to reflect upon, but this procedure at best can only give temporary relief. For the medium-sized business this problem can be particularly real and only rigorous control of the cash position will ensure that expansion is not curtailed.

75. The total amount of debtors outstanding will be shown in the monthly balance sheet and compared with budget. It is often found necessary to report in detail where large contracts are involved and special arrangements have had to be made with customers for settling accounts, particularly long-term credit arrangements with overseas customers. The report will also deal with the general soundness of customers' accounts indicating any need for a tighter system of credit control if, for example, current, bad or doubtful debtors experience is poor. Slow paying customers must also be indicated and contacted frequently, although in some cases, the cause, which must be removed, may be delay in sending invoices to customers. The number of weeks' credit regularly given should be checked as the pattern of trade is always changing and any new trends should be indicated as soon as they become apparent.

76. Good relations must be maintained with creditors in order to ensure promptness and quality of supplies which may be vital to the company's own reputation for maintaining delivery promises and after-sales service. All advantageous cash discounts must be taken when settling suppliers' accounts.

77. A statement will be prepared showing capital

expenditure incurred during the month and accounts outstanding at the month-end compared with authorizations and budget. Details will be shown of under- and over-spending against authorizations and explanations given for any large differences. Although it is important to know how much has been spent to date against authorizations, it is much more important to know if sufficient authorization remains to complete the capital project sanctioned. Otherwise it is usually far too late to take action to keep within the limit.

Financial Planning and Cost Analysis

78. How can accounting information in the form of special cost analysis studies and financial planning be used by management? The need for financial appraisal of management decisions on which reports will be required is limitless. An alive analytical advisory service is so well placed to cover many problems having vital financial implications, that it is easy to become overloaded. Care must be taken to see that matters of the utmost priority are tackled first and with considerable tact it is usually possible to prevent management from trying to deal with too many problems at the same time.

79. A few examples of the type of information usually considered under this heading will include:

(i) Purchase of a supplier's business to ensure continuous supplies of essential raw materials.
(ii) Cost of entering into long-term contracts to ensure future supplies of raw materials.
(iii) Whether to purchase components from outside or to continue manufacture within the business.
(iv) Cost of layout alterations to improve productivity.
(v) Economies which may result from double and treble shift working.
(vi) Wages incentive schemes and their introduction or retention.
(vii) Effect on costs of comparatively short batches of production.
(viii) Reduction of stock and work in progress and the fixing of optimum levels.
(ix) Consideration of information for price fixing of important contracts or for exports to countries with unusual circumstances.
(x) Effect of reduction in selling prices on turnover.
(xi) Capital expenditure justification and the examination of proposed capital projects.
(xii) Consideration of other available sources of finance in order to keep interest charges at a minimum.
(xiii) Long-term profit planning and forecasting.

80. The important point to be kept in mind in all these investigations is the effect that any decisions made will have on the company from a business and economical viewpoint with the full realization of what the management wants to happen in its business. Care must be exercised to see that the purpose for which information is required is understood by all concerned otherwise misunderstanding and misinterpretation are bound to arise.

81. Answers to problems of these kinds are difficult to determine and may at times appear to be too approximate to be of any practical use. Due to rapidly changing circumstances these days and the complexity of business life, even with the growing aid of computers one may begin to expect from now on, some information must be presented however approximate and apparently unreliable, so that decisions can be made. Rarely, if ever, does one in practice get the opportunity to present a perfect solution and on occasions almost any information however rough and uncertain will be welcome.

82. Successful reporting depends so much upon co-operation with management at all levels that special efforts must be made to understand the problems of managers in their efforts to discharge their own particular responsibility efficiently. Any other approach would not only be lacking in common sense and tact but also unimaginative and completely out of touch with the realities of industry. Reports may well be useless if this co-operation does not take place however difficult this may become in practice. Apart from the complications of applying accounting techniques to the various problems posed, there will be almost inevitably the additional task of educating managers as to the financial implications involved and more often than not a further complication in the form of internal politics! Notwithstanding these hazards, however, unless some positive action is taken on the reports the information will have been of little use. Accounting information whether in the form of operating statements, routine control reports or special analysis studies must be useful, as distinct from being merely interesting, if it is to be an effective aid to decision making and action.

Presentation of Information

83. The presentation of the information previously referred to whether through the medium of operating statements, reports or special studies is obviously not a simple matter and in this connection the following observations should always be borne in mind. Accounting information should be:

Brief – many reports have been consigned to the wastpaper basket because too voluminous – cultivate brevity in business.

Consistent – confusion is bound to result from a different presentation of routine information to meet altered circumstances unless due warning has been given – care must be taken to ensure that comparisons can be made always.

Clear – presented as simply as possible in ordinary day-to-day language, bearing in mind the form which particular managers may prefer.

Suitable – to the manager concerned – dealing only with those matters with which he is responsible or interested.

Prompt – speed is vital in the preparation of

accounting information if corrective action is to be taken promptly on the matters to which it relates. Approximations can be more important than accurate detail – cultivate a sense of urgency.

Acceptable - managers must understand and accept the information otherwise there is little chance of any actual action being taken by them.

Economical – the cost of preparing the information and the time taken to consider it by the manager receiving it must constantly be borne in mind. Routine reports must be kept to a minimum.

84. Where the requirements of management are not known exactly, and in a medium-sized business many managers may not be aware of the information that is available to assist them in their responsibilities, the accountant should only include in the report the information which the management will find useful and essential to good planning and control. In order that management's requirements can be anticipated it is essential to ensure that the finance function is kept fully informed at all times of important events and developments in all sections of the business. Unfortunately this simple matter of co-operation may often be overlooked in practice, but only in this way can correct interpretations be given to financial statements and reports produced. This is particularly important if the information is to be presented from a business point of view. No matter how technically expert the accountant may be and no matter how detailed and accurate the statements and reports he presents are, unless they follow the management line of thought and particularly that which the managing director takes in running the business, then the information presented may prove to be more of a hindrance than a help.

Conclusion

85. In conclusion I would like to refer to the responsibility of both accountants and managers in medium-size business to achieve efficiency through a greater appreciation of the use of financial control in its broadest sense. I have tried to show that much can be done by forecasting and budgeting so that the company's activities are best directed into channels which will yield the maximum profit. Brief mention should also be made of the means available to finance those activities, through preference or ordinary shares – a new issue or a rights issue – debentures – sale and lease-back of property or bank overdraft facilities. The medium-size business will clearly require expert professional advice on these matters as the wrong decision can prove to be costly in the long-term.

86. The accountant must see that his own house is in order and reference has already been made to the organization of the financial function so that an active part can be played in compiling long-term forecasts and budgets and the recording of actual performance against them. His part in pointing out deficiencies in all aspects affecting profitability – low sales – low volume – high costs and the financial implications of all matters affecting productivity and efficiency has also been touched upon. Any medium which will enable the accountant to carry out the financial function in the broadest possible sense as a member of the management team must be welcomed.

87. In this connection the use of greater mechanization and computers must not be overlooked by the medium-sized company as any vital information presented more quickly and clearly will enable corrective action to be taken on variances from budgeted plans promptly. Moreover targets and programmes no longer applicable because of changed circumstances can be amended more readily. The accountant must obtain a good working knowledge of computer applications as this knowledge will become more essential in the future especially when problems concerning the efficient use of all the company's resources can be analysed more readily.

88. Most of my comments will, I feel, have been of more interest to accountants in industry, who, however, are still members of the profession. The integrity which was acquired during professional training must be preserved, as difficult as this may prove to be in the jungle conditions often found in industry, as it will surely be needed time and again in carrying out efficiently one's duties. The problem of obtaining full co-operation throughout any business has not yet been solved. So much depends on the quality of leadership that the accountant in industry will do well to expend as much effort developing these qualities as in studying accounting techniques.

89. Management accounting systems are operated through people and then only if the latter want them to. An appreciation of the way people work, therefore, is imperative, if for example the old conflict between 'the office' and 'the factory floor' is to be done away with. A new mental approach is needed if modern financial practices are to be more widely accepted in this country. This challenge applies equally to accountants as to other managers because rapid progress is unlikely to be made until the benefits of financial control are made known and appreciated.

90. It is recognized that there are indications of greater cost consciousness and profit consciousness on the part of all levels of management and that the financial function is gradually becoming accepted as more important. On the other hand many departments hardly know the accountants with whom they are supposed to be working, let alone appreciate the benefits which can accrue to them through the intelligent use of accounting information.

91. For all too long, it seems, British management, particularly in medium-size business, has been far more concerned with 'getting on with the job' than having regard to planning and control techniques. Management in taking steps therefore to modernize their organizations and achieve greater efficiency, will it is hoped also recognize the contribution the accountant can make as a business man through the function of finance.

(*Concluded.*)

Weekly Notes

D. SEBEL & CO LTD

AN hour-long resumed meeting of shareholders in D. Sebel & Co Ltd to consider the resolution for ousting the company's auditors on the grounds that they had lost the confidence of shareholders because stock losses were not detected was notable for two points. One was that the board was armed with proxy votes very nearly two to one against the removal of the auditors and the other that apparently only those who favoured the resolution took the trouble to attend.

The auditors were accused of either not knowing their job or, if they knew it, not carrying it out correctly. There was in fact – to put it over-kindly – a difference of opinion on the auditors' function. The difference of opinion, it may be added, existed not only with lay shareholders but with others who one would have expected to be better informed.

Messrs Franklin, Wild & Co, in their statement reprinted in our issue of July 11th, stated 'it is no part of an auditor's duty himself to take stock' – a point which some Sebel shareholders had singularly failed to appreciate. And yet at the time of the meeting 520 shareholders holding 549,924 shares were apparently prepared to put the onus of stock-taking on the auditor compared with 632 shareholders with 959,115 shares who were apparently prepared to see the auditors' point of view. The Sebel case has proved a test of shareholder sensibility rather than a test case for the profession.

JUNE TRADE FIGURES

THE external trade figures have been particularly difficult to interpret since the beginning of 1964. They have been characterized by large swings in imports and exports from month to month so that it has become difficult to see a pattern through these wide short-term fluctuations.

In June, exports and re-exports fell by £23 million to £360 million while imports rose by £23 million to £473 million. The result was a trade gap of £113 million. In June the upward trend in imports again asserted itself. Imports in the second quarter of this year were 2 per cent higher than in the first quarter and over the first half-year they were as much as 14 per cent higher than the 1963 average. It seems likely that a good deal of the increase in imports was due to continued stock building by industry. Stocks of manufacturing industry are available only up to the end of the first quarter of this year, but during the first quarter they were rising more rapidly than in the last quarter of 1963. It may well be that this rise has gone on through the second quarter. The export figures are particularly disappointing.

The trade figures thus herald a return to the situation where the external account is the main economic preoccupation. The certainty of a general election in the autumn, the onset of the period when sterling is seasonally under pressure and, on this occasion, the precedence of this seasonal pressure by a run of months when sterling has been weak, as world interest rates have increased, all indicates that the external account position is going to be particularly critical over the next few months.

TWENTY-FIFTH ANNIVERSARY

THE International Bureau of Fiscal Documentation of Amsterdam has just released its annual report for 1963 commemorating the Bureau's twenty-fifth anniversary. The report not only provides interesting reading, it also contains useful fiscal data regarding tax changes throughout 1963 for almost every country in the world.

In section I of the report the reader is introduced to the functions of this non-profit making foundation. Specifically, the International Bureau helps to promote fiscal understanding between nations by gathering statutes, statistics, treaties, unilateral provisions, commentary, periodicals, etc., on every phase of taxation in almost every country, and disseminating information to Bureau members. There is also, in section I, a comprehensive but concise history of international taxation.

A country by country analysis of the major tax changes in 1963 comprises section II of the report, while section III is devoted to a survey of the internal affairs and staffing of the Bureau, together with details of the Bureau's publications.

Copies of the report are available free upon request from the International Bureau of Fiscal Documentation, Muiderpoort – Sarphatistraat 124, Amsterdam.

EQUIPMENT LEASING BY LOCAL AUTHORITIES

BOROUGH councils have given an unsympathetic hearing to a plea by the Permanent Secretary of the Ministry of Housing and Local Government over equipment leasing. They had been asked to reject, save in the case of computers and similar machinery, proposals by finance houses that, instead of buying certain fixed assets in the usual way, they should arrange to lease them.

The Ministry letter stated:

> 'A local authority can only claim investment allowances on new assets which they purchase for trading purposes and even then will not, in most cases, derive any immediate benefit from the allowance because they are not paying tax. But if the assets, whether intended for the purposes of a trading activity or otherwise, are leased, the tax position changes and the finance house is entitled

to claim the allowance in respect of the assets which it has bought for the purpose of leasing.

'Local authorities have, of course, a general duty to manage the affairs of their ratepayers prudently and it may be suggested by some that it is unreasonable to expect them to eschew a type of arrangement which is legal and which may be to their financial advantage. But I think local authorities would accept that they both can and should take other considerations into account. Arrangements of this sort necessarily involve a net loss to public funds as a whole, because the Exchequer has to meet not merely the cost of any advantage received by the local authority, but also the value of that part of the allowances which is retained by the finance houses; and that loss may be considerable, because the present investment allowance is equivalent to about 15 per cent of the cost of qualifying machinery and plant.'

The Ministry made it clear that they did recognize that in some fields there were sound operational reasons for leasing rather than purchasing equipment – computers were an example – and they had no desire to discourage such arrangements. As a general rule where the supplier of the assets provided maintenance or other after-sales services, leasing was unlikely to be objectionable.

Commenting on this, the general purposes committee of the Association of Municipal Corporations say they recognize that in financial matters of the kind referred to, local authorities should not ignore the position of the Exchequer, but they also felt strongly that local authorities were entitled – indeed, some think have a duty – to take advantage of any legitimate arrangement which enables them to save money in the acquisition of assets.

The committee add that having particular regard to past ministerial exhortations to authorities to economize and to do all they can to minimize increases in rate-borne expenditure, they were disposed to feel that action on the lines contemplated might be ill-advised and would certainly not be received too sympathetically by many member corporations.

THE BLOOM AFFAIR

BASICALLY, the only difference between the Rolls Razor affair and other similar sorry tales is that the current story concerns not only the company but also its highly publicized and lionized chairman. The background is familiar enough – over-expansion, over-spending, insufficient financial control and the inevitable conclusion.

An astute seller is not necessarily a good business man. There were clearly better business men in the ranks of Mr Bloom's competitors who at first went on to the defensive and then counter-attacked. Mr Bloom's direct selling, it seems, proved more costly than the traditional selling methods of most of his competitors, once they had streamlined and economized.

But more than that, his competitors marketed new models which they manufactured themselves, whereas Mr Bloom's products were manufactured for him and were not kept in line with his competitors' products. Only very recently did Mr Bloom plan to get into the fully-automatic washing machine selling field in which his competitors were already well entrenched.

Rolls Razor's need was for turnover, turnover and yet more turnover; but the structure of the company could not apparently stand the strain. In the ballyhoo surrounding the affair, these basic facts are apt to be lost in the personalized character of the company and the publicity attached to it.

PRESSURE ON THE BUILDER

THE pressure of demand on the building contracting industry shows no sign of slackening and doubtless the pace has been quickened by a mild spring and warm summer with the minimum of interruptions due to weather. According to official statistics the output of the construction industry in the second quarter of 1964 was 127 (1954 equal to 100) a provisional figure which compares with the same level for the first quarter and is only one point higher than in the second, third and fourth quarters of 1963.

Nevertheless, there are some signs of strain on the industry. There are complaints from builders to the National Federation of Building Trades Employers that despite the rising demand for buildings, prices at which new tenders are being accepted remain keen. A further difficulty is that certain building materials, including bricks, are becoming scarce.

The general shortage of materials is being reflected in rising prices. The official indices of construction materials and house building materials have both risen significantly since the end of 1963. In the first six months of 1964, the prices of constructional materials increased by 1 per cent while those for house building materials went up by 2 per cent. It seems likely that the pressure on building contractors and on building materials manufacturers will continue during the rest of 1964.

BUILDING SOCIETIES

PART V of the Report of the Chief Registrar of Friendly Societies for the year 1963 relating to building societies (H.M.S.O. 4*s* 6*d*), shows that the total assets of building societies last year reached a record figure of £4,331 million. The increase in assets of £516 million was the highest annual increase ever recorded – the increase in 1962 being £379 million. New high levels were also reached by subscriptions to share capital and advances on mortgage, which rose to £885 million and £849 million respectively. The increase in the number of advances exceeding £3,000 was most significant: in 1962 25,019 such advances totalling over £94 million

were made whilst in 1963 there were 57,954 advances exceeding £3,000, totalling more than £221 million.

The rates of interest for ordinary shares and mortgages recommended by the Building Societies Association were reduced in 1963 from 3·75 per cent and 6·5 per cent to 3·5 per cent and 6 per cent respectively. The average rates for all societies in 1963, calculated on mean balances, were 3·56 per cent (3.7 per cent in 1962) for shares and 6·27 per cent (6·61 per cent in 1962) for mortgages.

Income tax on the interest on share and deposit accounts is not paid by the individual investor but is borne by the society. In respect of holdings up to £5,000 most societies, by statutory arrangement with the Board of Inland Revenue, pay income tax on this interest at a composite rate which for the tax year 1962–63 was 5*s* 6*d* in the £ and for the tax year 1963–64 was 5*s* 5*d* in the £.

The report states that a total of £976,320,000, a record amount, was received during 1963 on share and deposit accounts and £612,199,000 was withdrawn. The corresponding figures for 1962 were £775,694,000 and £536,938,000. The number of share investors increased during the year by 404,000 to 4,894,000 and the number of depositors by 14,000 to 592,000.

This is My Life . . .

by An Industrious Accountant

CHAPTER 234

OUR fat departmental accountant sat back purple with indignation, his jowls positively wobbling in dismay. 'But they can't do that to me,' he bleated on a high note of protest. 'They just can't do things like that.'

The trouble was that they just can; not only that, they just do. The idiot had let us down badly, giving the accounts department a sadly undeserved smear on their otherwise spotless escutcheon. 'You blithering idiot,' I admonished him. 'Why the hell didn't you go out and look at the figures?'

To some extent the catastrophe was scarcely his fault; a born wriggler, he'll probably wriggle out of this one, too. But a more alert or less chair-borne character would have spotted the irregularity on its way through.

It started with our suppliers' invoices for goods purchased, all the multitudinous masses of stocks needed to fill our departmental shelves and counters. These documents, side-tracked by our incoming mail section, are passed direct to the desk of my erring subordinate. He, or his staff, are responsible for matching the invoices with the official copy-order, certified by the buyers, and with the stocks received records, certified by the appropriate officials of the particular section. They are then passed for payment and the amounts debited to departmental purchases. The whole operation, one of textbook simplicity, is carried out continuously, subject to modified random-sampling techniques not relevant here.

Amid the flow of invoices were five for men's suitings totalling about £1,400, marked 'See special delivery instructions'; they were included in a total of eleven invoices from the one supplier over the last three months. This mandate didn't ring a bell with our accountant, for the simple reason that he had formed the labour-saving habit of passing on the daily bundle unexamined to his next-in-line. Reasonable delegation, he proffered as explanation.

The next-in-line matched the invoices against official orders, but finding no record of stocks received, queried the buyer. That worthy explained that the suit lengths had gone to Smith's, a local tailoring firm. Apparently Smith, being temporarily short of cash, had asked the buyer to do this ordering for him; we then paid for the goods for best discount and debited Smith, who took three months' credit with us. In return Smith sold us gents' ready-mades at minimum prices, so we gained an enhanced gross profit. Elementary, said the buyer. Everyone benefited. Just a matter of modern advantageous credit manipulation.

The next-in-line was complacently virtuous. He had seen the items posted to the journal for charge to Smith's account in sundry debtors. He had also, he said, fully briefed the departmental accountant who, however, couldn't remember it; reasonable delegation and all that, you know. What could be alleged against his section?

The ledger-clerk in the debtors' section admitted that the £1,400 had grossly exceeded Smith's credit limit. He had, however, on querying the debit, been told it was a special transaction, a nominal *contra*, properly authorized by the buyer and by the departmental accountant. What more could he do? He had relied, as he was surely entitled to, on the next-in-line's assurance.

Where the shoe pinches is that Smith has just gone bankrupt! He has no money and no stocks; the special gents' ready-mades promised to us have melted like *les neiges d'antan*. We've collected a nasty bad debt; heads must roll. The directors want the departmental accountant's, hence his panic. I hold firmly that the buyer has deliberately cheated our credit regulations and is at least an accessory to the 'swindle', a term which seems to me to describe the deal not unfairly.

The real fault is one of slack communications; all the buck-passing delinquents should share the blame for passively accepting a prima facie irregularity without proper investigation.

Finance and Commerce

Mark Lane

THE auditors' report to the accounts of Mark Lane (Turf Accountant) Ltd for the year to December 28th, 1963, is dated June 15th, 1964. Shareholders therefore have to wait considerably longer for information and for dividend payment than do the company's clients – or are they 'customers'?

But since the accounts cover the first full year's operations of the company as a public concern and since that year was one of considerable development there is reason enough for the comparative lateness of the accounts in a company which is, in essence, a cash business. Mr M. Lane, the chairman, says 'we were busy until August with a number of acquisitions, together with the opening of new premises', and a list of the company's licensed betting shops numbers 104, including twenty-eight new ones. Since then consolidation has been the order of the day.

Consolidation is going on this year but there does not seem to be much prospect of an acceleration in accounting. Mr Lane says that the directors 'are of the opinion that shareholders are entitled to receive the fullest possible information on their business', and when the current year's interim dividend is announced shareholders will be given 'an estimate of progress covering the period to the end of June'. But that estimate will not be given until November.

Turnover

In the notes to the profit and loss account will be noticed the auditors' comments on the accounts of Mark Lane (Manchester) with reference to incomplete books and records for the fifteen months to June 13th, 1963. Details of the group show that the Manchester company presently has two betting shops.

On the question of profits – not in Manchester but over the group as a whole – Mr Lane says it is, in general, unwise to measure the profitability of a book-making business by turnover alone, which is presumably why the group's turnover is not stated. In this case there is every reason for agreeing with the non-disclosure.

As Mr Lane explains 'a man may spend an afternoon betting with us, starting off with 10*s* in his pocket. During the afternoon he may have placed £20 in bets and finish up winning 5*s*'. Mr Lane is sure that the Chancellor of the Exchequer knows that the total public expenditure on gambling is very much less than the figures of £1,000 million quoted by the Church Commissioners and others.

It may be true that such a sum is bet on horses 'but this turnover most probably represents a gross £300 million turnover over three and a half times and in any event the total profits and expenses of the industry are probably less than £100 million which is the amount actually spent by the public'.

The Levy

Book-makers have to live with the Horse-race Betting Levy Board whose efforts to improve horse-racing depend for their success on the ability of book-makers to pay their contributions to the fund. At the level imposed for 1964–65 the levy will cost the Mark Lane group about 16 per cent of net profits before tax. The impact of the tax is made bearable 'only by its pressing need and the clear justice of the individual charge for the levy'.

There are, however, anomalies in the method of charge. Mr Lane gives the example that the remuneration of the company's directors, plus that of the directors of all subsidiary companies, is subject to a levy of 12½ per cent, but if they were not directors but merely managers no levy would be payable.

One aspect of the book-making business currently causing concern is the question of a possible tote monopoly which would mean the end of 'course book-makers'. There is also 'the spectre of a 25 per cent betting tax', which could appear under a Government agency-controlled tote monopoly. Mr Lane considers that 'the facilities and service now given to the public would be quite impossible to continue if the present day total of 15,000 licensed betting offices were controlled under a pool betting scheme'.

Gestetner

WHEN anything difficult is done regularly and with ease the fact that it is difficult ceases to register with the onlooker. The accounts of Gestetner Ltd have been issued so regularly within a fortnight of the end of the financial year that the achievement has ceased to become a matter for comment.

But this year there is occasion for reference, albeit belated, to the Gestetner performance, the accounts to March 31st were dated April 10th. The occasion is the retirement of Miss M. R. Low, F.A.C.C.A., who has been the company's chief accountant for twenty years and a director since 1953.

Sir Anthony Elkins, in his review, paid tribute to Miss Low, not only in her achievements as chief accountant. 'She has', Sir Anthony said, 'also lent her superb abilities to other tasks and has had the general care of our thousands of women. There are few people with her strength of character, her administrative ability and her simple humanity. She has always found time for the individual's smallest problem and her colleagues speak for countless friends in wishing her health and happiness in retirement.'

Mr D. B. Haunch, F.C.A., who has succeeded Miss Low, has a daunting example to follow and he may need the art of delegation, particularly where the 'thousands of women' are concerned.

MARK LANE (TURF ACCOUNTANT) LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the 52 weeks ended 28th December 1963

	1962 £	1962 £	1962 £	1963 £	1963 £	1963 £
Group Profit (*See Note A*)			41,680			88,417
after charging						
Depreciation		4,105			10,051	
Amortisation of Leases		1,113			5,037	
Directors' remuneration (*See Note C*)		7,846			23,508	
Auditors' remuneration:—						
Parent Company	79			473		
Subsidiaries	787			2,133		
		866			2,606	
Less: Taxation based on the profit of the year (*See Note D*)						
Income Tax		16,785			32,488	
Profits Tax		6,105			10,873	
			22,890			43,361
			18,790			45,056
Adjustment for Underprovision (Overprovision) for Taxation in earlier years			2,163			39
Net Profit of the Group after Taxation			20,953			45,017
Balance from previous year			—			1,344
Dividend, *less* Income Tax, paid by a Subsidiary Company to its former shareholders for the period 1st January—30th June, 1962		115			—	
Balance of Pre-acquisition loss (profit)		12,723			613	
			12,838			613
Group Profit available for appropriation which has been dealt with as follows:—			8,115			46,974
Goodwill in the Accounts of a subsidiary written off		430			—	
Transfer to Contingency Reserve in the Accounts of a Subsidiary		—			500	
Expenses of Increase of Share Capital of a Subsidiary written off		—			240	
Formation Expenses written off		1,125			—	
Balance of expenses of obtaining Stock Exchange Quotation written off		1,105			5,598	
Interim Dividend of 6¼%—less Income Tax—already paid		—			4,747	
Proposed Final Dividend of 18¾% less Income Tax on Ordinary Share Capital (*See Note E*)		4,111	6,771		22,597	33,682
Balance carried forward:—						
Mark Lane (Turf Accountant) Ltd.		230			362	
Subsidiary Companies		1,114			12,930	
			£1,344			£13,292

The Notes on Page [116] form part of this account.

MARK LANE (TURF ACCOUNTANT) LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AS AT 28th DECEMBER 1963

	£	1962 £	1962 £	£	1963 £	1963 £
Fixed Assets (*See Note 1*)						
Freehold Land and Buildings			17,955			66,900
Leasehold Property, Leases and improvements			15,631			53,267
Shop and Office Fittings, Equipment, Machinery and Motor Vehicles			18,559			55,976
			52,145			176,143
Goodwill arising on consolidation (*See Note 1*)			46,526			182,278
			98,671			358,421
Trade Investments—at cost			—			3,135
Current Assets						
Trade Debtors (*less provisions*)		3,173			10,608	
Other Debtors, Deposits and Prepayments (*See Note 3*)		5,429			20,013	
Tax Reserve Certificates		14,300			1,545	
Short Term Loans and Treasury Bills		—			84,908	
Cash at Banks and in Hand		28,301			54,314	
		51,203			171,388	
Less:						
Current Liabilities						
Unclaimed Dividends	—			242		
Trade Creditors	194			2,028		
Other Creditors and accrued Charges (*See Note 4*)	10,786			37,945		
Taxation	22,199			33,744		
Proposed Dividend, *less* Income Tax	4,111			22,597		
		37,290			96,556	
			13,913			74,832
Expenses of obtaining Stock Exchange Quotation—not yet written off			5,535			—
Consolidated Net Assets			£118,119			436,388
Representing:						
Share Capital of Mark Lane (Turf Accountants) Ltd. Issued and Fully Paid			100,000			192,312
Share Premium Account (*See Note 6*)			—			201,333
Revenue Reserves						
Contingency Reserve			—		500	
Profit and Loss Accounts			1,344		13,292	13,792
			101,344			407,437
Amount set aside for Future Taxation Income Tax 1964/5			16,775			28 951
			£118,119			£436,388

M. LANE
A. HEARD } Directors

The Notes on Page [116] form part of this Balance Sheet.

MARK LANE (TURF ACCOUNTANT) LIMITED AND SUBSIDIARY COMPANIES

NOTES ON THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

A. The consolidated Profit and Loss Account includes accounts of certain subsidiary Companies covering a longer or shorter period than one year. The results of these companies prior to acquisition showed an overall loss of £613.

Included in Group profit before Taxation is Rental Income of £4,862 (1962, £1,144) and Interest and Dividends Gross of £972 (1962, £646).

B. The Company's Auditors, in their report to the members upon the accounts of Mark Lane (Manchester) Ltd., have commented that they are unable to state that the Profit and Loss Account for the fifteen months gives a true and fair view of the profit for the fifteen months to the 28th December, 1963, as the books and records of the Company for the period from 1st October, 1962 to 13th June, 1963, were not complete.

C. DIRECTORS' REMUNERATION:—

	Paid by Parent Company	Paid by Subsidiary Companies
	£	£
Fees	—	—
Other Emoluments	23,508	—

The Directors have waived their entitlement to Directors remuneration specified in Article 84 of the Company's Articles of Association for the 52 weeks ended 28th December, 1963.

D. TAXATION

(i) The charge for Taxation has been based upon the Group profits for the year. In the case of certain subsidiaries provision for additional future taxation will be required in subsequent accounts. The sums involved cannot be ascertained until the completion of a full year's trading in each case.

(ii) Investment Allowances claimed by the Group in respect of Fixed Assets purchased during the year amount to approximately £10,000.

E. DIVIDENDS

The interim dividend of 6¼ per cent. was paid upon an issued Capital of £123,979 10s. 0d.
The recommended final dividend of 18¾ per cent. is payable upon an issued Capital of £196,760 18s. 0d. which includes 44,489 Shares of 2s. each issued since the 28th December, 1963, in respect of the acquisition of 2 Freehold and 3 Leasehold premises.

MARK LANE (TURF ACCOUNTANT) LIMITED AND SUBSIDIARY COMPANIES

NOTES ON THE BALANCE SHEET AND CONSOLIDATED BALANCE SHEET

	Cost 1963	Cost 1962	Depreciation to date 1963	Depreciation to date 1962	1963	1962
1. (a) FIXED ASSETS—GROUP	£	£	£	£	£	£
Freehold Land and Buildings	66,900	*17,955*	—	—	66,900	*17,955*
Leasehold Property, Leases and Improvements	60,259	*17,458*	6,992	*1,827*	53,267	*15,631*
Shop and Office Fittings, Equipment, Machinery and Motor Vehicles	77,421	*28,781*	21,445	*10,222*	55,976	*18,559*
	204,580	*64,194*	28,437	*12,049*	176,143	*52,145*
(b) FIXED ASSETS—PARENT COMPANY Office Machinery	234	—	35	—	199	—

(c) GOODWILL
The pre-acquisition profits less losses of the subsidiary Companies have been written off against Goodwill arising on consolidation.

2. SHARES IN THE SUBSIDIARY COMPANIES

		£
Mark Lane (Dagenham) Ltd. Mark Lane (Grays) Ltd. Mark Lane (Rainham) Ltd. Mark Lane (Billericay) Ltd.	(a)	93,000
Mark Lane (Tilbury) Ltd.	(b)	52,000
Mark Lane (Investments) Ltd.	(c)	100
Howard Moss (Sheffield) Ltd.	(d)	5,759
Mark Lane (Manchester) Ltd.	(e)	12,487
H. Pearce Jnr. (Rotherham) Ltd	(e)	8,742
Tom Webster (Turf Accountant) Ltd.	(f)	7,883
H. Eblett Ltd. T. Bowman (Commission Agents) Ltd.	(f)	24,671
Ray & Co. (Commission Agents) Ltd.	(e)	38,215
Bert Murray Ltd.	(e)	17,943
Whittaker & Son (Blackburn) Ltd.	(e)	16,758
		£277,558

(a) Shown at Nominal Value of Shares issued as purchase consideration.
(b) Shown at Nominal Value of Shares issued (£7,000) and Value of cash and Shares issued at a premium (£45,000).
(c) Shares subscribed for in cash at par.
(d) Proportion of Value of Shares issued at a Premium. The remainder of cost (£5,000) is reflected in inter company balances.
(e) Shown at Value of Shares issued at a premium.
(f) Purchased for cash.
Acquisitions marked (d), (e) and (f) include costs of acquisition.

3. Other Debtors, Deposits and Prepayments includes the sum of £3,500 advanced to a Director to enable the Company to acquire the business of H. Pearce Jnr. (Rotherham) Ltd. This advance has since been refunded.

4. Other Creditors and accrued charges includes the sum of £843, being a mortgage Loan to a subsidiary Company secured upon a freehold property.

5. SHARE OPTIONS
Options for 36,500 Shares have been granted to employees in accordance with the ordinary resolution passed on 24th September, 1963.

6. SHARE PREMIUM ACCOUNT

Arising on acquisition of Subsidiary Companies and properties	£109,873
Arising on 'rights' issue of 550,000 Ordinary Shares of 2/- each at a premium of 3/6 per share	96,250
	206,123
Deduct Issue expenses relating to Share issues during year	4,790
	£201,333

7. FUTURE CAPITAL EXPENDITURE
Active negotiations for the acquisition of further premises involving expenditure of £6,000 (*1962—£38,000*) were at an advanced stage at the end of the Group's accounting period. Other propositions were under consideration but no firm figures had been agreed.

CITY NOTES

THE Rolls Razor affair, postal delays, the poor June trade figures and weakness in sterling, have all combined to nip out the rise in stock-markets which looked like taking prices through to an all-time peak. The Rolls Razor affair has naturally attracted the lion's share of attention but the June trade figures were a far more fundamental matter.

This year the trade figures have been riding a switchback with alternate fair and poor months, but the end product has been a considerable widening of the trade gap. The second quarter's balance of payment figures, when they are eventually announced, cannot show up at all well.

In the share market, therefore, the view that economic curbs will be essential after the General Election has temporarily regained the upper hand over the combined fact of rising industrial earnings and dividends and the hope that the Government will pull the election out of the fire.

There is no indication that Mr Maudling is as yet inclined to take any economic action. Sterling still finds protection in the collaboration between the central banks, and an increase in Bank rate to put it more into line with competitive rates on the Continent seems a possibility rather than a probability.

* * * *

One of the most 'off-beat' take-over operations of the many currently in train is British American Tobacco Company's £2¾ million bid for Tonibell Manufacturing, the ice-cream company. For a company the size of 'BATS', such an investment – with all due respect to Tonibell – is not much more than petty cash but it is interesting as a diversification move.

British American's non-tobacco interests are in spheres allied to that industry – paper, foil wrappings and so on. But both British American and the Imperial Tobacco company, which already has important non-tobacco interests, are expected to push into new fields.

* * * *

Some take-over moves are surprising, others are inevitable. In the latter category is The Derbyshire Stone Company's bid for Neuchatel Asphalte. Deals last year meant that Derbyshire Stone finished up with 60 per cent of the 'Amasco' asphalte group, with Neuchatel holding the 40 per cent balance.

A bid by Derbyshire for Neuchatel was therefore what the stock-market calls 'a natural'. The only surprise for the market was that the bid came as soon as it did.

* * * *

Barclays Bank is making arrangements to extend its export finance effort. From September, all such business will be channelled through a new company – Barclays Export Finance Co. Initial capital of £1 million comes from Barclays Bank itself, Barclays D.C.O., The British Linen Bank and Barclays (France).

The object of the new company is to provide finance for exporters by buying approved debts or financing the overseas buyer. Above that, however, it is to encourage the new-comer in the field of export by bringing together the services of forwarding agents, insurance companies and others to provide a comprehensive service through which a supplier can quote quickly a landed delivered price in the buyers' currency. Irksome documentation will also be taken out of the exporter's hands.

RATES AND PRICES

Closing prices, Wednesday, July 22nd, 1964

Tax Reserve Certificates: interest rate 28.3.64 2¾%

Bank Rate

July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%

Treasury Bills

May 15	£4 7s	3·60d%	June 19	£4 8s	9·84d%
May 22	£4 7s	8·75d%	June 26	£4 9s	3·39d%
May 29	£4 7s	6·17d%	July 3	£4 9s	4·72d%
June 5	£4 8s	26·9d%	July 10	£4 9s	7·75d%
June 12	£4 8s	8·49d%	July 17	£4 11s	7·01d%

Money Rates

Day to day	3⅜–4⅜%	*Bank Bills*	
7 days	3¼–4¼%	2 months	$4\frac{3}{4}$–$4\frac{13}{16}$%
Fine Trade Bills		3 months	$4\frac{3}{4}$–$4\frac{13}{16}$%
3 months	5¾–6¼%	4 months	$4\frac{3}{4}$–$4\frac{13}{16}$%
4 months	5¾–6¼%	6 months	$4\frac{13}{16}$–$4\frac{15}{16}$%
6 months	6–7%		

Foreign Exchanges

New York	2·78⅞	Frankfurt	11·08$\frac{5}{16}$
Montreal	3·01$\frac{13}{32}$	Milan	1742½
Amsterdam	10·08⅛	Oslo	19·96
Brussels	138·70	Paris	13·66
Copenhagen	19·29¼	Zürich	12·05$\frac{7}{16}$

Gilt-edged

Consols 4%	63$\frac{5}{16}$	Funding 3% 59–69	90$\frac{9}{16}$
Consols 2½%	41	Savings 3% 60–70	87¼
Conversion 6% 1972	101⅞xd	Savings 3% 65–75	77⅛xd
Conv'sion 5¼% 1974	96⅞	Savings 2½% 64–67	92$\frac{5}{16}$
Conversion 5% 1971	96¼	Treas'ry 5½% 2008–12	91¼
Conversion 3½% 1969	91$\frac{9}{16}$	Treasury 5% 86–89	87⅛
Conversion 3½%	56½	Treasury 3½% 77–80	75⅝
Funding 5½% 82–84	94$\frac{7}{16}$	Treasury 3½% 79–81	74½
Funding 4% 60–90	92⅞	Treasury 2½%	41
Funding 3½% 99–04	63¼	Victory 4%	97½
Funding 3% 66–68	90$\frac{9}{16}$	War Loan 3½%	56⅛

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Laidler v. Perry
Morgan v. Perry

In the Court of Appeal – June 4th, 1964

(Before THE MASTER OF THE ROLLS (Lord DENNING), Lord Justice DANCKWERTS and Lord Justice DIPLOCK)

Income tax – Schedule E – Voucher from employer – Voucher spendable at particular shop – Whether amount of voucher an emolument – Whether a benefit in kind – Income Tax Act, 1952, sections 156, 161 – Finance Act, 1956, section 10.

The appellant was a salaried employee of Associated Lead Manufacturers Ltd (Associated), a subsidiary of Goodlass Wall and Lead Industries Ltd (Goodlass Wall). Associated was formed by a merger of a number of family businesses, in which there was a long history of making gifts in kind to the staff at Christmas. After the formation of Associated it was decided that that practice should continue. The reason for the practice was that it helped to maintain a feeling of happiness among the staff, and to foster a spirit of personal relationship between the staff and the management. The junior employees were paid at the normal rates, and the remuneration of senior staff compared favourably with that paid by other employers. All salaries were reviewed annually, and special good work was remunerated by money bonuses. The staff were given presents in kind up to Christmas 1938; but as this practice became impossible during the War, they were given National Savings Certificates every Christmas.

In December 1947 the directors of Goodlass Wall caused a special cash bonus to be paid to each member of the staff of the group as a participation in the group's exceptional earnings in 1946 and 1947.

In October 1948 the directors of Goodlass Wall resolved that Christmas gifts amounting to £10 each should be made to the employees of all members of the group. It was left to the managing director of Goodlass Wall to determine the form of these gifts. Subsequently each member of the staff was asked to state in which shop he would prefer to spend vouchers of £10 each. When these wishes were known, vouchers for £10 were purchased and sent to the staff with a personal letter of good wishes from the chairman. This practice was intended to restore the pre-war practice of giving presents in kind, but to do so in a way which would overcome post-war shortages of gifts and the larger size of the group. The practice had continued ever since. Employees who had been employed for more than ten months were given vouchers for £10 regardless of their remunerations, and those employed for less than ten months were given vouchers for something less than £10, again regardless of their remunerations. The vouchers were given without regard to personal circumstances, the personalities of the employees or the way in which they carried out their duties. They were also given to all staff pensioners. They were not given to manual workers, but the latter were given a Christmas dinner in the canteen. Each voucher was exchangeable for goods to the value of it at the store named on the voucher.

The first appellant was employed as research manager by Associated, and he was within Chapter II of Part VI of the Income Tax Act, 1952. In addition to his salary he had received year by year a cash bonus, which was paid after deduction of tax. From 1955 to 1960 he received a Christmas voucher for £10 to be spent at Harrods Ltd, where he would not normally make purchases. He used the vouchers to purchase gifts which he would not have bought in the ordinary way. He regarded the giving of the vouchers as a gesture by his employer, and different from the bonuses, which were a reward for effort.

It was contended on behalf of the appellant: (i) that the vouchers were not rewards for services, and were not emoluments within Schedule E; (ii) that if they were emoluments the amount assessable was something less than £10; (iii) that the vouchers were not assessable pursuant to section 161 of the Income Tax Act, 1952. It was contended by the respondent: (i) that the vouchers were emoluments of the appellant and were assessable under Schedule E; (ii) that the amount assessable was the face value of the voucher, namely, £10; (iii) that the vouchers were benefits or facilities within section 161. The Special Commissioners decided in favour of the respondent.

Held (affirming the judgment of Mr Justice Pennycuick): the Special Commissioners' decision was correct. The facts in *Morgan v. Perry* were in all material respects the same except that the case was not within Chapter II or Part VI of the Act.

Boustead v. Jarrold
Large v. McInnes
Simms v. McInnes

In the Court of Appeal – June 9th, 1964

(Before THE MASTER OF THE ROLLS (Lord DENNING), Lord Justice DANCKWERTS and Lord Justice DIPLOCK)

Income tax – Schedule E – Football player joining club – Amateur becoming professional – Lump sum paid – Whether an emolument – Income Tax Act, 1952, section 156 – Finance Act, 1956, section 10, Schedule 2.

The appellant in the first case was an amateur Rugby Union football player, and he was invited to join a club, a member of the Rugby Football League,

as a professional. On September 22nd, 1958, he entered into a written agreement with the club for that purpose. The agreement bound the appellant to play for the club as directed, and to keep himself fit for that purpose. At the end of the agreement there was this provision:

'The club shall pay the player the sum of £3,000 less income tax on signing professional forms for the club.'

On the same day the appellant signed a registration form and a consent to be registered as a professional player. He was duly registered, and the club paid him the £3,000. This registration debarred him from ever again playing as an amateur.

The £3,000 was included in the appellant's Schedule E assessment for 1958–59, and he appealed. It was contended on his behalf that the £3,000 did not arise to him from an office or employment, as he had none when he signed the playing agreement; that the sum was paid to induce him to put himself into the position of being able to render services to the club at full normal rates of pay, which he subsequently did; and, alternatively, that the sum was a solatium for the loss of his amateur status. The Special Commissioners decided that the £3,000 was a once-for-all payment, separate from the engagement of the appellant's services, and an inducement to relinquish his amateur status, and was not a payment of remuneration in advance.

The case of the second appellant was similar, except that the provision for the payment of a signing fee of £1,000 was in a separate document; and that £750 was paid forthwith and the balance of £250 after he had played three matches. In the case of the third appellant the difference was that £200 was expressly payable to him in consideration of his signing registration forms. The Special Commissioners' decisions in the cases of these appellants were in all relevant respects the same as their decision in the case of the first appellant.

Held (reversing the judgment of Mr Justice Pennycuick): the Special Commissioners' decision was correct.

Barentz *v.* Whiting

In the High Court of Justice (Chancery Division) – June 30th, 1964

(Before Mr Justice UNGOED-THOMAS)

Income tax – Care of children allowance – Non-relative – Whether residence required – Whether having charge and care of children – Finance Act, 1920, section 19 – Finance Act, 1924, section 22 – Income Tax Act, 1952, section 214.

After the birth of her children in 1948 and 1953, and to the date of her husband's death in 1957, the respondent worked in a business during the mornings of Monday to Friday inclusive, and after her husband's death she worked all day from Monday to Friday. In 1952 the respondent engaged Mrs Allen to look after the children. She worked in the respondent's house in the mornings of Monday to Friday taking complete charge of the younger child and also looking after the older child. At the time of the death of the respondent's husband the latter child attended a day school, but the younger child did not go to school till January 1958. Afterwards Mrs Allen looked after the children when they were ill and during the holidays, and while they were at school she did a number of household jobs for them during the mornings.

The respondent contended that she was entitled to the allowance given by section 214 of the Income Tax Act, 1952, for 1957–58 to 1960–61 because Mrs Allen in fact had the charge and care of the children for the period prior to the death of the respondent's husband and also afterwards. It was contended for the appellant: (i) that a claim for a person in Mrs Allen's position was maintainable only if the person in question was resident with the claimant, and that that was so whether the person was a relative or not; (ii) that Mrs Allen did not have the charge and care of the children for any of the years of claim; (iii) alternatively, that she did not have the charge and care of the children until 1957–58. The Special Commissioners decided (i) that residence was not required in the case of a non-relative; (ii) that Mrs Allen had the care and charge of the children for 1957–58; (iii) that she did not have the charge and care of the children for the other three years of claim.

Held (affirming the decision of the Special Commissioners in other respects): Mrs Allen had the charge and care of the children for 1958–59, 1959–60 and 1961–62, and that the claim was valid for those years also.

Gollan *v.* Duckering

In the Court of Appeal – June 10th, 1964

(Before THE MASTER OF THE ROLLS (Lord DENNING), Lord Justice DANCKWERTS and Lord Justice DIPLOCK)

Income tax – Double tax relief – Income from abroad – Tax charged abroad on income arising during preceding year – Charge to income arising during assessment year – Income of year preceding change-over year not assessed abroad – Whether relief available – Finance Act, 1920, section 37 – Income Tax Act, 1952, sections 122, 123 (Cases IV and V), 132, 347, Schedule 16, paragraphs 1, 2 – Finance Act, 1961, section 18 – New Zealand Income Tax Assessment Act, 1957, section 4 – Double Taxation Relief (Taxes on Income) (New Zealand) Order, 1947, Articles I (i), II (3), XIV.

The respondent, resident in the United Kingdom, derived income in the form of mortgage interest from New Zealand. The New Zealand fiscal year ends on March 31st. Up to 1957–58 inclusive, New Zealand tax was charged on the income arising during the year preceding the year of assessment; but by section 4 of the New Zealand Income Tax Assessment Act, 1957, the tax has been, since 1958–59, charged on the income arising during the year of assessment itself, as compared with the rule in the United Kingdom

that tax on income within Cases IV and V of Schedule D is charged on the income arising during the year of assessment measured by the income that arose during the preceding year.

Thus the amount of income, that was charged to tax in 1957–58 in both the United Kingdom and New Zealand, was the amount that arose to the appellant in 1956–57. The income that arose to him in 1957–58 never came into charge to tax in New Zealand, but was the measure of the income assessed for 1958–59 in this country. The amount assessed in New Zealand for 1958–59 was the amount that arose in that year, and that amount was the measure of the assessment in the United Kingdom for 1959–60. The appellant paid New Zealand tax for 1958–59 on the income that arose to him in that year, and this tax came to £1,033 9*s* 6*d*. The appellant claimed double taxation relief for 1958–59 on the footing that he was entitled to a credit for the New Zealand tax for the same year. Relief was refused by the Inland Revenue on the ground that the amount of the assessment for 1958–59 was the amount of income that arose on 1957–58; and that that amount never bore tax in New Zealand.

In an appeal to the Special Commissioners it was contended on behalf of the respondent that the appellant had paid no New Zealand tax in respect of the income that arose to him in 1957–58; and that there was therefore no New Zealand tax which could be credited against the United Kingdom tax for 1958–59. It was contended on behalf of the appellant: (i) that the income in respect of which relief was claimed was the income of the year 1958–59; (ii) that the assessment of this income to United Kingdom tax was in respect of the income of the year of assessment itself, whatever the basis of computing that income might be; (iii) that the United Kingdom assessment for 1958–59 was in respect of the income of that year; (iv) that New Zealand tax had been paid in respect of the income of 1958–59. The Special Commissioners decided in favour of the appellant.

Held (reversing the decision of Mr Justice Pennycuick): the Special Commissioners' decision was correct.

Bales *v.* Rochford General Commissioners and C.I.R.

In the High Court of Justice (Chancery Division)
July 3rd, 1964

(Before Mr Justice Ungoed-Thomas)

Income tax – Appeal to General Commissioners – Summons to attend as witness – Failure to attend – Penalty for non-attendance – Whether appeal against penalty made in time – Income Tax Act, 1952, section 59 – Finance Act, 1960, section 59 – Rules of the Supreme Court, Order 3, Rule 5, Order 127, Rule 5.

On February 7th, 1964, the General Commissioners issued to the appellant a summons to appear before them on March 5th, 1964, as a witness. On February 18th the appellant wrote that he had another appointment and that his assistant could help. He also intimated that he would be in the Middle East till April 4th. On February 24th, the appellant was informed that his attendance at the Commissioners' meeting was essential. On March 4th the appellant wrote that he was still unable to attend, and that another person, whom he named, could best give evidence. At the hearing on March 5th the General Commissioners imposed a penalty of £25 on the appellant under section 59 of the Income Tax Act, 1952. The appellant was informed of this on March 11th, and was told that a further summons would be issued against him to appear on May 7th. On March 31st a certificate of the award of the penalty was sent to the appellant, and he was informed of his right to appeal to the High Court within thirty days after the award of the penalty, namely, March 5th. On April 30th the appellant's solicitors sent to the General Commissioners a copy of a notice of motion, which had been issued on that day, appealing against the penalty.

It was contended on behalf of the appellant that the penalty should not have been imposed on the appellant in his absence; that the time for appealing ran from the date when the appellant was informed that he had a right to appeal; and that there was power in the Court to extend the time for appeal.

Held: as the notice of motion was not issued till after the expiration of the thirty days provided for by Order 127, Rule 5, it was issued too late, and that the discretion for extending the time for appealing, under Order 3, Rule 5, should not be exercised.

In re Holmden's Settlement

In the High Court of Justice (Chancery Division)
June 15th, 1964

(Before Mr Justice Pennycuick)

Estate duty – Settlement – Discretionary trust – Accumulation of surplus income – Variation of trust – Distribution of trust fund – Whether limited interest disposed of – Whether trust fund deemed to have passed on life-tenant's death – Finance Act, 1894, sections 1, 2 (1) (b), 22 (1) (l) – Finance Act, 1940, section 43.

By a settlement deed made in 1927 the trust income was payable, during the joint lives of the settlor and his wife, on a discretionary trust for the settlor's wife and children and the children's issue, and any balance of income was to be accumulated. After the deaths of the settlor and his wife the income was to be applied for the children and their issue as the settlor's widow should appoint, and subject to any appointment half the income was to be paid to the settlor's son during his life, and afterwards half the capital was to be transferred to his children; and the other half of the income was to be paid to the settlor's daughter during her life and afterwards the other half of the capital was to be transferred to her children.

The settlor's wife survived him. The son had three children and the daughter two children. In 1960 an order was made varying the trusts of the settlement.

The period of the discretionary trust of income during the life of the settlor's wife was extended for the duration of her life or the period of twenty-one years from the operative date of the order, whichever period should be the longer; and the wife's power of appointment was cancelled. After the end of the trust period the capital was to be divided among the son and the daughter of the settlor and their children. There was power for the trustees to declare the trust period at an end as regards in part or the whole of the trust fund. In 1962 the settlor's wife died.

It was contended by the Inland Revenue that estate duty was payable on the death of the settlor's widow, and the contention was based on these arguments: (i) that the trust fund passed under section 1 of the Finance Act, 1894, with the assistance of section 22 (1) (*l*), of that Act; (ii) that it passed under section 1 aided by section 21 (1) (*b*) and section 22 (1) (*l*); (iii) that the trust fund had to be deemed to have passed under section 43 of the Finance Act, 1940. Only the last argument was available in this Court. It was contended on behalf of the trustees: (i) that there had been no determination of the life interest of the settlor's widow, (ii) that section 43 was not applicable to the determination of a discretionary trust.

Held: the first contention on behalf of the trustees was correct. The second did not have to be decided, but the learned judge was unpersuaded of the validity of it.

Correspondence

The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Payment of Interest out of Capital

SIR, – Many people, and articled clerks in particular, must sometimes wonder whether one ever comes across the payment of interest out of capital these days, and whether the practice has not gone the same way as the Dodo, so that the rules concerning it may now be decently buried and forgotten.

It seems it is not dead yet, however, for I recently encountered an interesting example of it in the 1963 accounts of the London Transport Board. Note 15 to these accounts states, 'The Minister of Transport has given his consent with the approval of the Treasury to the capitalization of interest on the expenditure on the Victoria Line project during the period of its construction . . .'. In the balance sheet an amount of £111,100 therefore appears under fixed assets described as 'Interest during construction of new works'.

Of course, the London Transport Board was established by the Transport Act, 1962, and so is in a slightly different position from a limited company; I doubt whether one would be able to find many limited companies, even oil companies, capitalizing interest nowadays.

Yours faithfully,

Bedford. J. D. B. OLIVER, A.C.A.

The Science of Price-fixing

SIR, – Mr E. J. Broster in his letter in your issue of July 11th, is indulging in some wishful thinking if he thinks my letter in your issue of June 6th adds little of practical value to his arguments. The fact that marginal revenue and elasticity of demand both measure the same thing means that any change of the one must involve a corresponding change of the other. Mr Broster should also understand that a profit maximizing firm will always see that it is confronted with a marginal revenue curve which is positive. The notion of demand for any good being less than unit elasticity is therefore unrealistic even under monopolistic conditions.

The main subject which requires further elucidation is the calculus of finite differences referred to in the last paragraph of my letter in your issue of June 6th.

The derivative $\frac{dy}{dx}$ of the total curve $y=mx^n$ cannot be the corresponding marginal curve because if n is more than x then the derivative curve $y=nmx^{n-1}$ is higher than the total curve changes of which the derivative curve is supposed to measure.

An alternative formula is therefore required which does not suffer from this fault. Such a formula is not $\frac{dy}{dx}$ but $\frac{y-(y^{1/n}-1)^n}{x-(x-1)}$.

i.e. for the total curve $y=mx^n$ the marginal curve is $y=m(x^n-[x-1]^n)$.

If we take a simple downward sloping straight line demand unit curve

$$y=10-x$$

total $y=10x-x^2$

marginal $y=10(x^1-[x-1]^1)-(x^2-[x-1]^2)$

i.e. marginal $y=10(1)-(x^2-[x^2-2x+1])$

i.e. marginal $y=10-(2x-1)$

i.e. marginal $y=11-2x$.

This marginal curve intersects the unit curve $y=10-x$ when output (x) is 1 unit, so this essential condition is satisfied.

Yours faithfully,

London W1. P. L. GRIFFITHS.

Optician's Gross Profit

SIR, – I am dealing with a back duty case in connection with an optician's practice – 90 per cent National Health Service – and I should be very grateful if any of your readers could give me their views as to the expected rate of gross profit of such a business.

Yours truly,

London N4. N. W. GARNER.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

President's Luncheon

The President of the Institute of Chartered Accountants in England and Wales, Mr W. Guy Densem, and the Vice-President, Mr Robert McNeil, gave a luncheon party last Wednesday at the Dorchester Hotel. The guests were: The Rt Hon. Reginald Maudling, Sir Herbert Andrew, Sir Charles Wheeler, Sir Basil Smallpeice, Mr W. Godfrey Agnew, Sir Duncan Oppenheim, Mr C. J. M. Bennett, Mr Percy F. Carpenter, Sir Harold Gillett, Mr P. F. Granger, Mr W. E. Parker, Mr L. C. Hawkins and Mr C. Evan-Jones.

May 1964 Examinations: Notification of Results

When candidates were given their time-table for the May 1964 examinations, they were also given a list of addresses with telephone numbers from which they might make inquiries during normal office hours if they had not received their result by post on Saturday, July 25th, 1964.

In view of the restriction of postal facilities, special arrangements are being made to ensure that lists giving the candidates' numbers of successful candidates will be available at those addresses. Candidates who do not receive their result by post will therefore be able to obtain their result from the addresses shown on that list which was also reproduced on page 87 of *The Accountant* of July 18th, 1964. Results can only be made available to candidates who give their candidate's number.

In addition the following offices will be open to receive telephone calls between 9 a.m. and 12.30 p.m. on Saturday, July 25th, 1964:

Temporary Offices of the Institute
City House, Goswell Road
London EC1. Clerkenwell 1090
Library of the Chartered Accountant
Students' Society of London
Monarch 2027

Copies of the lists referred to above will be displayed at Moorgate Place and at the temporary offices of the Institute, City House, Goswell Road, London EC1.

New Intermediate Examination: September 1964

Closing date for receipt of entries

The advertised closing date for the receipt of entries for the above examination is Thursday, July 23rd, 1964 (the advertised closing date for candidates failing the old Intermediate examination in May 1964 is August 6th, 1964).

In view of the restriction of postal facilities, it has now been decided to extend the closing date. *Accordingly entries from all candidates for the September 1964 new Intermediate examination will be accepted up to and including August 6th, 1964.* In no circumstances can this date be extended.

Entry forms will be accepted from candidates if delivered to the office of their district society not later than the close of business on August 6th, 1964, with the exception that candidates in the area of the London and District Society must ensure that their forms are delivered to the Institute's temporary offices at City House, Goswell Road, London EC1, by midnight on August 6th, 1964.

PROFESSIONAL NOTICES

MESSRS M. WASLEY CHAPMAN & Co, Chartered Accountants, of 5 Victoria Square, Whitby, Yorkshire, announce with deep regret the death on July 15th, 1964, of their senior partner, Mr M. WASLEY CHAPMAN, F.C.A. The business will be carried on by the remaining partners and the style of the firm will remain unchanged.

MESSRS DELOITTE, PLENDER, ROBSON, MORROW & Co, Chartered Accountants, announce with deep regret the death on July 16th, 1964, of Mr KENNETH HOARE, F.C.A., a partner in the firm.

MESSRS FRIEND-JAMES, SINCLAIR & YARNELL, Chartered Accountants, of 57/58 North Street, Brighton, announce that Mr D. H. BALDWIN, A.C.A., who has been associated with the firm for several years, has been taken into partnership as from April 1st, 1964. The name of the firm remains unchanged. An additional office has been opened at 154A Church Road, Hove, where Mr BALDWIN will be the resident partner.

MESSRS HERBERT HILL & Co, Chartered Accountants, announce that Mr P. J. PAYNTER, A.C.A., formerly a member of the staff and who also served his articles with the firm, was admitted into partnership on June 1st, 1964.

MESSRS SPRAGUE, NICHOLSON, MORGAN & Co, of Chancery Lane, London WC2, and MESSRS J. B. NICHOLSON & Co, of High Wycombe, Bucks, announce that Mr R. J. M. HART, A.C.A., who has been a member of the staff for a number of years, has been admitted into partnership with effect from July 1st, 1964.

Appointments

Mr R. B. Blaxland, F.C.A., has been appointed a manager of Orion Insurance Co Ltd, retaining his position as chief accountant of the company.

Mr James Borsay, F.C.W.A., has been appointed comptroller of the A.E.I. industrial group.

DOUBLE TAXATION RELIEF

United Kingdom and Malawi and Northern Rhodesia

Agreements between the United Kingdom and Malawi and Northern Rhodesia, which provide that the agreement with the former Federation of Rhodesia and Nyasaland for the avoidance of double taxation shall, with the necessary adaptations, continue in force in relation to Malawi and Northern Rhodesia, were published on July 14th, as schedules to draft Orders in Council.

MINISTRY OF PENSIONS AND NATIONAL INSURANCE

Report for 1963

The annual report for the year 1963[1] of the Ministry of Pensions and National Insurance shows that nearly three and three-quarter million families with over nine and a half million children were receiving family allowances during the year and the cost amounted to £135 million.

Among the facts and figures given in the report relating to national insurance are the following:

Unemployment benefit: About 3·4 million new claims in the year. Cost: £64½ million.

Sickness benefit: Over 9·3 million new claims in the year. Cost: £161½ million.

Maternity benefits: 918,000 maternity grants, 334,000 home confinement grants and 216,000 maternity allowances awarded. Cost: £25½ million.

Retirement pensions: Nearly six million pensioners at the end of 1963; and 531,000 new pensions awarded in the year. Cost: £807 million.

Widows' benefits: 372,000 widows' pensions, 140,000 widowed mothers' allowances and about twenty thousand widows' allowances in payment. Cost: £84 million.

The details relating to War Pensions in the report show that there were 473,000 disablement pensioners, 130,000 widows and 49,000 parents, orphans and other dependants receiving pensions at the end of the year.

At December 1963 the total cost of all payments was at the rate of £1,690 million a year comprising £110 million for war pensions; £140 million for family allowances; £990 million for retirement pensions; £450 million for other benefits.

National Insurance and Industrial Injuries contributions were being paid at the rate of £1,205 million a year at December 1963 – with Exchequer support at the rate of over £230 million a year.

The average number of persons for whom national insurance contributions were payable during 1962 was about twenty-four and three-quarter million, of whom over sixteen and a half million were men. Over twenty-three million were employed persons; nearly one and a half million self-employed; and over a quarter of a million non-employed.

About thirteen million employees also paid graduated contributions during the year ended March 31st, 1963, and by the end of 1963, 31·7 million documents relating to graduated contributions for the 1962–63 tax year had been received and processed on the high-speed electronic data processing system at the Ministry's Newcastle Central Office.

The number of people contracted out of the graduated part of the scheme was about 4·5 million.

[1] Cmnd 2392. H.M.S.O. Price 10*s*.

THE PROFESSIONAL CLASSES AID COUNCIL

The forty-third annual report of The Professional Classes Aid Council for the year ended March 31st, 1964, records that the total available income for the year amounted to £32,754 compared with £30,382 in the preceding year. The total expenditure amounted to £35,920 (£34,536) comprising £25,874 for relief of all the several kinds mentioned in the report, £7,290 for administration costs, including pension and staff superannuation payments, and £3,756 for other expenses, including appeals and publicity.

Financial aid was given during the year in respect of 152 new cases, fifteen applicants reapplying for help and 357 continuing cases. This aid comprised, in the main, general relief and annual grants, and grants towards children's education.

The Council is composed of representatives of nearly all the professional bodies and works in close association with their benevolent funds. The Institute of Chartered Accountants in England and Wales is represented on the Council by Mr J. A. Allen, F.C.A., and The Association of Certified and Corporate Accountants by Mr A. C. S. Maynell, F.A.C.C.A. The address of the Council is 10 St Christopher's Place, London W1.

MISS CITY 1964

Congratulations to Mrs Angela Bray, secretary to Mr Wilfrid Medlam, F.C.A., a partner in Pannell, Fitzpatrick, Graham & Crewdson, Chartered Accountants, who won the 'Miss City 1964' competition held last week as part of the City of London Festival. The runners-up were Miss Christine Brown of the Nelson Financial Trust and Miss Valerie Evans of the Bankers Trust Company.

The London Chamber of Commerce undertook, through its commercial education department, to ensure that any girl of 18–25 years of age chosen to represent the City of London should be competent and quick-witted as well as attractive. The entrants so screened were then judged for poise, personality and technical ability by a panel of judges.

ANNOTATED TAX CASES

Part I of Volume XLIII of the *Annotated Tax Cases*, edited by Mr Peter Rees, of the Inner Temple, Barrister-at-law, is published today and contains reports, with notes on the judgments of the following cases: *Lyle's Trustees (Public Trustee) v. C.I.R.* (Ch.D.); *Taylor-Gooby v. Harrods (Buenos Aires) Ltd* (C.A.); *Bold v. Brough, Nicholson & Hall Ltd* (Q.B.D.); *Commissioner of Taxes v. Nchanga Consolidated Copper Mines Ltd* (P.C.); *Argosam Finance Co Ltd v. Oxby and C.I.R.*, *F.A. and A.B. Ltd v. Lupton and C.I.R.* (Ch.D.); *British Broadcasting Corporation v. Johns* (C.A.); *C.I.R. v. Leiner* (Ch.D.); *L. G. Berry Investments Ltd v. Attwooll* (Ch.D.); *Ralli Brothers Ltd v. C.I.R.* (Ch.D.).

The annual subscription is 50*s* post free and the publishers are Gee & Co (Publishers) Ltd, 151 Strand, London WC2.

New Legislation

All new Acts will be noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent.

STATUTES

Chapter 41: Succession (Scotland) Act, 1964

An Act to assimilate and amend the law of Scotland with respect to the succession to the heritable and moveable property of deceased persons; to amend the law in relation to the legal and other prior rights exigible out of such property, to the administration of deceased persons' estates and other property passing on death, to the capacity of minors to test, and to the presumption of survivorship; to provide for certain testamentary dispositions to be probative; to provide for adopted persons to be treated for certain purposes as children of their adopters; to make new provision as to the financial rights and obligations of the parties on the dissolution of a marriage; and for purposes connected with the matters aforesaid.

Price 2s 6d net. *June 10th, 1964.*

Chapter 42: Administration of Justice Act, 1964

An Act to make provision with respect to the administration of justice in the metropolitan area; to provide for a lieutenant and deputy-lieutenants for Greater London; to make fresh provision with respect to the indemnification of justices and their clerks, recorders and clerks of the peace; to make minor amendments of the law relating to the administration of justice in England and Wales and an amendment of section 8 of the Justices of the Peace Act, 1949, extending to Scotland; and for connected purposes.

Price 4s net. *June 10th, 1964.*

Chapter 43: Criminal Appeal Act, 1964

An Act to enable the Court of Criminal Appeal to order new trials in cases of fresh evidence; to make corresponding provision for new trials by court-martial; and for connected purposes.

Price 8d net. *June 10th, 1964.*

Chapter 44: Nurses Act, 1964

An Act to make further provision concerning the admission of persons to the roll of nurses maintained for England and Wales under section 2 (1) (*b*) of the Nurses Act, 1957, and that maintained for Scotland under section 3 (1) of the Nurses (Scotland) Act, 1951.

Price 5d net. *June 10th, 1964.*

Chapter 45: Road Traffic Act, 1964

An Act to amend the provisions of the Road Traffic Act, 1962, relating to temporary or experimental speed limits.

Price 3d net. *June 10th, 1964.*

Chapter 46: Malawi Independence Act, 1964

An Act to make provision for and in connection with the attainment by Nyasaland for fully responsible status with the Commonwealth.

Price 1s net. *June 10th, 1964.*

Chapter 47: Merchant Shipping Act, 1964

An Act to enable effect to be given to an International Convention for the Safety of Life at Sea signed in London on June 17th, 1960; to amend section 271 of the Merchant Shipping Act, 1894; and for purposes connected therewith.

Price 1s net. *June 10th, 1964.*

Chapter 48: Police Act, 1964

An Act to re-enact with modifications certain enactments relating to police forces in England and Wales, to amend the Police (Scotland) Act, 1956, and to make further provision with respect to the police.

Price 4s net. *June 10th, 1964.*

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE ACCOUNTANT

ESTABLISHED 1874

AUGUST 1ST, 1964 VOL. CLI. NO. 4676

CONTENTS

'The Old Lady' Reports

WHATEVER the present month may have done for the holidaymakers, the news it has brought of the current economic situation has been very different. The June trade returns were, to put it no more strongly, very disappointing, not least since recent official declarations based on the trend of the three previous months' exports had led to the hope that the summer would bring a further improvement. The settlement of the postmen's strike, regardless of its political implications, merely underlines once again the inadequacy of the Government's present income policies.

The plain and simple truth of the matter is that Britain's prospective rate of economic growth is dependent, first, upon achieving a 6 per cent annual increase in exports, and second, on keeping increases in incomes within the limits of the probable expansion of the national product, i.e. under 4 per cent. The Bank of England's Report for the year ended February 29th, 1964, merely serves to underline these simple facts. The twelve months ended February 1964 were, according to the Report, a period of rapid development in the domestic economy and of expanding markets abroad for British goods. This still holds true.

The Report comments on the fact that the substantial increase in United Kingdom exports in 1963 was a reflection of rising activity abroad. The same activity, not least that in the industrial countries, helped primary producers, which in turn led to a better demand from Commonwealth countries for British exports. Nevertheless, the most rapidly growing market for United Kingdom exports was again Western Europe, and there are some signs of an increasing demand, albeit still small in the aggregate, on the part of East European countries for British goods.

Stress is laid upon the fact that co-operation in the field of international payments has continued, and the Report refers to the assistance extended to sterling under the European Monetary Agreement in the spring of 1963, by the West European banks. The swap arrangements with the United States and Bank of International Settlements have been enlarged. Such measures are undoubtedly of value to Britain in so far as they provide a breathing space in which adjustments to the domestic economy can be made should the pressure on sterling mount to breaking point. Such arrangements, however, are temporary in their effects; they are in no way substitutes for an effective economic policy. This is the responsibility of the Government.

FINANCE ACT

Leaseback and Avoidance – III

LAST week we dealt with the definition of 'commercial rent' in section 19 (8) in relation to rent as ordinarily understood, and also in relation to payments under licences and agreements for licences. Section 19 (9) provides a definition for the purposes of other payments which fall to be restricted under section 19, i.e. payments which are neither rents nor payments for licences. Section 19 (9) represents the result of third thoughts: it was introduced at the committee stage and was further extensively amended on the report stage. It reads:

> '(9) For the purpose of making a comparison under subsection (4) of this section between a payment which does not consist of rent under a lease (or such a payment taken together with other payments) and the commercial rent of the land, "commercial rent" shall mean the rent which might be expected to be paid under a tenant's repairing lease as defined in paragraph 19 of Schedule 4 to the Finance Act, 1963, negotiated in the open market at the time when the transaction was effected under which the payment or payments became due, being:
> (*a*) where the period over which payments are to be made under that transaction is not less than 200 years, or the obligation to make such payments is perpetual, a lease for 200 years, and
> (*b*) where that period is less than 200 years, a lease which is of the same duration as that period.'

In other words, one has to compare two completely unlike things. If the Revenue insists on disallowing some part of a payment and forces the taxpayer to appeal, then he will be put to the trouble and expense of employing an expert witness to explain to the appeal Commissioners the precise significance of this 200-year period, a matter about which the Act leaves the taxpayer entirely in the dark.

When section 19 (4) provides for a restriction of payments to commercial rent, it contemplates a simple case of a single payment. Section 19 (6) fills in with provisions about more complicated facts. If more than one payment is made in the period, they are to be aggregated. If payments are made for periods which overlap, they are to be apportioned. That done, the 'apportioned payments which belong to the common part of the overlapping periods shall be taken together'. A payment may also cover tenant's rates or consideration for the use of assets. Section 19 (6) (*d*) provides for apportionment, and expressly permits the Revenue to override the stated apportionment in the lease or agreement.

Subsection (7) deals with the case of a payment which covers a period all of which falls more than one year after the payment is made. It would seem, quite independently of section 19, that the payer would have some difficulty in persuading the appeal Commissioners that this was not a capital payment. However, the draftsman has assumed that it would be deductible. He has provided that such payment shall be treated as though it was made for the ensuing year. In the ordinary way, a payment which is much in advance is less than a normal payment, since the element of discount enters into it. Therefore it seems that some saving could be made in this way, since there is no provision for adding back the discount element.

It has been appreciated that by taking each period in a water-tight compartment, and comparing the payment for that period with a commercial rent for that period, some hardship might be caused, particularly where in an ordinary agreement at arm's length there is provision for the payments to fluctuate up and down. There could be a ceiling but no floor, as it were. Subsection (5) therefore provides for carry-forward – but not for any carrying back. It directs that where a sum has been disallowed, and one or more subsequent payments are made by the transferor (or a person associated with him) under the lease or other transaction, then the disallowed sum can be carried forward and treated as if it were made at the same time as the next of the subsequent payments. The provisions of subsection (6) as to the aggregation and apportionment of payments apply to these carried-forward payments as though they were current payments.

(*Concluded.*)

The Future of the Accountant – IV

DILEMMAS FACING THE PROFESSION

by W. T. BAXTER, B.Com., C.A.
Professor of Accounting, University of London

FUTURE ORGANIZATION AND TRAINING

OUR review of the accountant's changing work leads us to speculate on two further topics – his future training, and his future organization into professional societies etc. As the societies prescribe much of the training, these topics intertwine.

History of Professional Bodies

To get perspective, it may be worth while to see what happened to other professional bodies that lasted much longer than our modern accounting societies have yet done. Our societies have many points of resemblance to the old guilds. For the latter, too, were set up to foster the welfare of those in a profession or trade – e.g. the Mercers' rules were 'for the cherishing of unity and good love among them, and for the common profit of the mistery'.[1]

Guilds sometimes did much good in fostering education. We may, for instance, conjecture that the uniformity of our debit-and-credit system stems from the training rules of bankers' guilds in medieval Italy. Long apprenticeship was common; in this sense at least it is true to say that the accountant's 'training method currently followed in England is medieval rather than modern'.[2] The apprentice often had to pass a test before admission. It might take the practical form of showing a sample of his skill as a craftsman. When this 'masterpiece' demanded much time and expense, he was apt to grumble that the test was aimed at keeping the profession exclusive.

A group that started with common interests tended in time to develop conflicting interests. Members at first fairly equal in prospects would drift apart into groups of wealthy employers and permanent journeymen; they drifted also into different types of work, e.g. the more enterprising might give up manufacture for foreign trade. Then malcontents would in protest hive off and form their own sub-group within the guild; and this new body 'which at the beginning of the fifteenth century had been a prohibited organization of rebellious journeymen, had before the end of the century been gradually transformed into a recognized but subordinate branch of the livery company' with its own officers. Or there would be complete secession and the formation of new incorporations.

Often guilds tried to win the sole right of practice for their members. Their declared motives were unimpeachable. Thus some of the London guilds contrived to gain powers under the new monopoly rules of the Stuarts 'to guarantee the consumer a supply of sound and serviceable commodities at reasonable rates'. Where the guild won exclusive rights, the results were apt to disappoint; it has, for instance, been suggested that the guilds' great power in Germany led to stagnation or decline in the cities, as innovators were driven outside the walls.

All this suggests that the task of professional bodies is not easy. They are an attempt to solve a difficult and perhaps insoluble problem.

Comprehensive or Specialized Accounting Bodies?

The different groups within the guilds have obvious counterparts in our societies. The latter have the hard task of catering for several groups; and it is arguable that their omnibus approach cannot give the best training to each group. In particular, it hampers the growth of an *élite*. A scheme that is geared to the 'average' trainee may suit him admirably, and yet thwart the future specialist. There is an obvious contrast between the needs of, for example, the auditor and the accountant in industry.

One likely possibility, therefore, is that groups of accountants will hive off in coming years into different vertical divisions – for such specialisms as auditing, computing, costing, and perhaps new kinds of work about which we yet know nothing. (Engineers, with their specialized institutes for each branch of their science, provide an

[1] This and the other quotations are from G. Unwin, *The Gilds and Companies of London* (London, 1924). Perhaps the guilds were sometimes more successful in social relations and colour than we are. For instance, members bought a hood and gown (at cost) to wear at the annual feast, at funerals, 'and on other solemn and great occasions'; hence the livery companies.

[2] P. A. Towsey, 'Some Thoughts on the Teaching of Accounting', *Nigerian Accountant*, January 1964.

obvious lead.) The weakness of such an arrangement is that the trainee is apt to get too narrow an experience.

Another possibility is a common initial training, followed by more scope for specialization than at present; the proposals in Britain for a 'post-graduate' certificate and diploma in management accounting are perhaps a step in this direction (and are certainly encouraging signs of the profession's awareness of the need for change). Medicine, with its 'colleges' for those who specialize, suggests how this system might develop. But it, too, has its faults. The minimum common training might be too long. And it would involve some sort of apprenticeship, presumably to an auditor. This can scarcely provide much experience in management accounting and computing; moreover it is a slow way of learning and one that is apt to damp the spirit of inquiry and innovation. Despite its good points, it is therefore not ideal.

Probably it is presumptuous to suggest what forms of organization and training will work best in the future. Quite likely the computer will force our hand. The best advice that we can now give is not to check development by making rigid arrangements or setting up monopolies.

Changes in Auditing Firms

One rather spectacular feature of the last decade has been the expansion of the bigger auditing firms (an obvious echo of what was said above apropos of guilds). Their growth has, in part, been due to their clients' growth; particularly where the client has many branches, at home or abroad, there is an economy in the auditor having corresponding branches. When the client expands by take-over bid, his auditor also may gain more work – which the auditor of the taken-over company loses. We lack statistics on this point, but we can reasonably suppose that the growth of big audit firms has not been without effects on the medium and small firms.

In one way, at least, it seems socially desirable that the growth of big companies should be matched by a corresponding growth in audit firms. Only a big firm has the necessary prestige and wealth to maintain effective independence *vis-à-vis* the giant client.

The big audit firm has other advantages. It can afford to pay its trainees well. It can emulate the technical college etc. in laying on introductory courses for new staff; one such firm claims that its intensive three-week course for beginners matures them as much as nine months of practice. It has enough skilled manpower to carry out large-scale investigations quickly. It can also employ specialists. Thus it can run its own department for management consultancy. Such departments seem likely to grow further as more clients install computers or demand the services of advisers trained in operational research etc.

The main way in which a less big firm of auditors can respond is by linking itself with several similar firms in a loose consortium. Such a group can, for instance, set up an associated firm to deal with management consultancy. Again statistics are lacking, but there seems to be a rather marked trend of this sort.

Computers and the Company Accountant

A parallel change may be taking place in the accounting departments of large companies. The computer is mainly responsible. It is not likely to displace all accountants, but it may offer them a clear choice between demotion or promotion.

The reason is that even a cheap computer costs a lot; further, expensive ones can do far more than cheap ones. This leads to centralization.

> 'Even a small computer is such a glutton for work that a firm possessing one tends to centralize its accounting system once the E.D.P. department has settled in and starts looking around for more work.
>
> 'The larger the computer, the lower tends to be the cost of a particular data-processing step . . . this being so, there is a tendency to buy one large computer rather than a number of smaller ones, and this, in its turn, leads to centralized data processing and so to centralized accounting.'[1]

Thus accounting may in future be done by a compact, high-power department. And accounting may be only one part of that department's work; the computer can also handle very different jobs, e.g. sales and personnel statistics, production control, and scientific research.

Further, there is at least some evidence of correlation between the success of a computer department and the rank of its chief:

> 'The survey indicated that the manager of business-computer activity in the nine successful companies was generally only two levels below the president of the company, and that the manager of business-computer activity in the eighteen less successful companies was generally three or more levels below the president'.[2]

---

[1] T. W. McRae, 'The Demands of E.D.P. on the Accountant of the Future', *Accountants' Magazine*, March 1964, page 183.

[2] John E. Johnson, 'E.D.P. as it Affects the Accountant', *N.A.A. Bulletin*, December 1963.

So here the accountant faces, if not an 'all-or-nothing' situation, at least a 'lot-or-little' one. He can content himself with the minor job of feeding in the financial data. Or he can step into a new post with high potentialities and prestige. But the latter will demand considerable knowledge of the computer and some grasp of statistics that lie far outside the realm of book-keeping. Our orthodox training is not well-fitted to instil either type of expertise.

Formal Education

It seems inevitable that formal training (i.e. work in the lecture-hall and library, as contrasted with the office) will become an increasingly important part of the accountant's preparation.

As a country grows in wealth, its young people go more and more to universities and take a higher education as much for granted as driving lessons. A Welfare State makes such education still more attractive; in comparison, private training schemes are bound to strike young people as ill-rewarded and parochial. The accounting profession must therefore come to terms with the universities and technical colleges – not because they give more practical skill in book-keeping than the office (which they cannot, and should not, do), but simply to ensure an adequate flow of recruits of good potential.

Formal education can make a contribution of three different kinds. At the first stage of a university training, the subject does not matter and can be matched to individual tastes; the subject is only the framework in which the student learns how to learn. Once he has been well trained in this sense, he should – given diligence – not have undue trouble in mastering practical accounting, and then in whatever further learning and unlearning the future may make necessary.

Second, formal education is probably the simplest and quickest way of giving an introduction to book-keeping. A teacher's main concern is to take his students over the right ground fast; this aim must come a poor second in the master-apprentice relation.

Third, the theoretical background to important new techniques – and sometimes their practice too – cannot be taught in most offices. The majority of today's accountants have not yet got the needed knowledge, and the minority have not the time for giving detailed instruction. Further, few small firms (of, for example, auditors) own a computer.

If these arguments hold water and accounting development must to some degree depend on formal education, then a likely bottleneck becomes visible. A good teaching department cannot be brought into existence overnight. The teachers have to be taught and allowed to run themselves in – a process that may take many years. So, if we are to improve our training in the seventies, we should already be setting about the necessary first step of producing future teachers.

CONCLUSION

This article has tried to list the disturbing changes that now threaten accountants. Its catalogue of threats may well strike readers as too alarmist. Plainly there are also many factors to give us comfort. But, if even a small part of my argument is sound, the danger is real.

To maintain their position against rivals, and to convert rivals into allies, accountants need to learn various new skills. Unfortunately these are exacting and some of them go against the grain. Further, our method of training is singularly ill-adapted for quick and drastic change.

We can recapitulate the needs as follows:

(1) *Stewardship accounting* ('data processing'). The accountant's position will be weakened if he cannot deal with statistical methods and the computer. He must therefore have a better background in mathematical subjects, and learn a good deal about the theory and practice of E.D.P.

(2) *Financial reporting*. The chief attack here comes from financial journalists and analysts, who are dissatisfied with the principles underlying our published figures. To meet their criticism, the accountant must acquire the kind of mental ability that comes with study of economic analysis and accounting theory.

(3) *Management accounting*. Here the need is for experience in industry plus knowledge of compound interest and relevant economic principles.

In total, these requirements are formidable.

However, accountants have so far shown themselves able to acquire difficult new skills, and to deal not unsuccessfully with competition from other professions. Thus the British accountant has an eminence in income taxation that is the envy of the lawyers. I doubt if any one of the new subjects is much harder to master than are the complexities of tax law. Let us hope that it is not yet too late for us to meet the challenge.

(*Concluded.*)

The Changing Pattern of Further Education[1]

by O. G. PICKARD, Ph.D., M.Com., B.Sc.(Econ.)
Principal, Ealing Technical College

CHANGES in education have been going on for a hundred years in this country; at times the pace of these changes has quickened, as it did in education in schools after the South African war at the beginning of this century, and again after the First World War, nearly two decades later. To a modern historian, it is not surprising that another period of accelerated change has followed the Second World War. This time its effects have been experienced most dramatically in further education, although, of course, there have also been important changes in secondary education which are still going on. The post-1945 revolution in further education has, I suggest, three chief characteristics. The first is the tremendous increase in the scale of further education of which there is still much to come. In Appendix 'A' of this paper, I have set out a few figures relating to the U.K. which demonstrate the growth of further education. This expansion is not confined to this country; it is a characteristic of all advanced industrial societies including the U.S.S.R. If we are seeking guidance about the likely future development of further education in this country, a study of developments in Sweden or in the U.S.A. is well worth while. Contemporary educational developments in the countries of the Common Market are also instructive for us. In deciding to devote more of our national resources to the expansion of further education the United Kingdom is in the company of rich industrial communities steadily becoming richer.

The second characteristic of the post-war revolution is that the structure of further education is being steadily adapted to the structure of jobs and occupations. In most branches of further education we are using in some form the structure which corresponds to four grades of jobs:

(1) Operatives:	Unskilled or semi-skilled, requiring little or no education or training.
(2) Craftsmen:	Skilled, requiring considerable training and some education and gaining from experience.
(3) Technicians:	Supervisory grade, often highly skilled and requiring considerable training and education. Able to work in direct contact with technologists and management.
(4) Technologists:	Able to initiate and direct original work and take full responsibility under senior management.

This structure was originally designed for manufacturing industry, but its applicability to other industries and occupations, e.g. business, is rapidly being appreciated. Generally speaking, part-time education and on-the-job training is all that is required for the operatives' grade. Part-time education and on-the-job training will also meet the needs of most craftsmen, but for some, the part-time education takes the form of block release courses. Furthermore, for some skilled work, pre-employment full-time courses are suitable and are being used, perhaps more on the Continent than here.

Technician training and education arrangements are more varied both in Europe and America. Some of it is full-time or full-time sandwich extending over several years. Some of it is still by way of part-time day or evening courses pitched at the level of higher National Certificates and Diplomas (in engineering, science and business studies) in this country.

The education of technologists may be through university courses, sandwich courses such as the Diploma of Technology in colleges of advanced technology, or technical colleges in this counttry or through part-time study. As the standard of education at this level rises to meet the greater complexities of this level of work, the trend is towards more full-time and sandwich courses and away from part-time arrangements. This field of higher education is expanding very rapidly and this expansion is likely to continue.

Needs of Industry

The third characteristic of the recent rapid changes in further education has been the firm basing of the changes in content and method on the needs of industry, commerce and society at large. Although we have greatly expanded our universities and intend to expand them still further, some of the most dramatic changes have taken place outside the universities and have produced, for example, the Diploma in Technology scheme. The importance of the Dip. Tech. and similar schemes is that they are openly and unashamedly a partnership affair between the educational service and society in the form of industry and commerce and the professions allied to both. We have

[1] For the purposes of this paper the term Further Education (namely, post-school education) embraces Higher Education (namely, advanced Further Education including university education).

A paper presented at the recent conference on 'The Education and Training of Articled Clerks', sponsored by The Institute of Chartered Accountants in England and Wales in co-operation with The Further Education Staff College at Blagdon, near Bristol.

learnt a lot in the eight or so years the Dip. Tech. scheme has been operating and most of all we have come to recognize the great value of the integration of practical training with education.

It may be valuable if I summarize a recent report from the National Council for Technological Awards on this subject. To begin with, the Council sets out the aim of the whole Dip. Tech. scheme as being:

> '. . . to develop the student's creative ability, and fit him for employment in any field of industrial activity – design, manufacture, research, development, for example'.

This aim cannot be overstressed: at this level, society needs men of developed creative talent (not mere followers of precedent) which they are prepared to devote to the needs of industry. The report went on to observe that the most urgent requirement in industry today is for:

> '. . . men who have a full understanding of the basic scientific principles involved . . . and an appreciation of the practical problems involved . . . and have minds trained to a scientific appraisal of these problems and of the sociological factors involved'.

This practical application of principles brings the students face to face with the awkward problems of real life – situations where the facts are incomplete, but in which decisions and action are required; situations in which opinions must be taken into account as well as facts, especially when there is an apparent conflict of facts and opinions.

Requirements of Industrial Training

The Council itself summarized the requirements of industrial training thus:

> '(1) The training should illustrate the application in practice of the scientific principles which the students have been taught in colleges. . . .
>
> '(2) Practice should be given in the solution of some problems in the form in which they are met in industry. Such problems will invariably go beyond the field of the problems which the student solves in his academic examinations, in that they are often indeterminate and their solution is a compromise frequently involving a judgement/opinion factor and sometimes arising from considerations other than technological.
>
> '(3) The training should make the student aware of the social, economic and administrative considerations which influence the working of an industrial organization.'

Turning to another field of higher education, business studies, those of us who sat under Mr F. W. Crick, C.B.E., to produce the recent report on a Higher Award in Business Studies, stressed the two main benefits which we could see were associated with the kind of advanced sandwich course which we advocated. Firstly, that the aim should be 'to develop qualities of mind and powers of constructive thought and decision rather than mere ability to remember facts'. Secondly, that the course should 'ensure at each stage . . . an interaction of academic study and practical application such that each serves to illumine and stimulate the other'.

What is the relevance of this necessarily brief and limited account of the changing pattern of further education to the education and training of articled clerks? In the first place, it has to be decided where this comes in the structure of further education. On this question there could be two views. One is that accountants are a kind of business technician, uncreative experts working to other people's directions. Certainly there is an important place for experts in accountancy at this level, and some sociological studies which have been made suggest that the public image of accountants is indeed of people at this level. On the other hand, I am quite certain that to anyone familiar with the work and responsibilities of accountants practising either professionally or in industry or commerce, the level which is right for the contribution which qualified accountants can and do make to modern industry and commerce is that of technologists.

'Technologist Accountant'

If this view is accepted, then whatever may be done for 'accountants' whose work will be at technician level – and may I make it plain that I think something should be done, perhaps through the scheme for Higher National Certificates/Diplomas in Business Studies – the level at which articled clerks should be trained and educated is that of university graduates and holders of the Diploma in Technology, etc. These are the kind of people the 'technologist accountant' will be working with.

I would then go on to argue that there should be two main routes to qualified status in the profession. One should be via the university scheme which has the advantage of bringing the future accountant into touch in his formative years with all kinds of other men and women following the great variety of academic disciplines in a university atmosphere. This route also means that the accountants are required as university teachers and the profession thus becomes represented in the highly stimulating senior common rooms and councils of university life. The other, I suggest, should be quite frankly modelled on the Dip. Tech. scheme. Why not? Accountants have much in common with technologists. They are among the applied scientists of the business world. Their sciences are the social sciences allied to mathematics instead of the natural sciences and mathematics. But the effect is the same: they need an understanding of basic scientific principles allied to practical application, and the offices of professional accountants are capable of giving absolutely first-class practical training in accounting practice and problem solving. College periods in the sandwich course, say over five years, would bring the articled clerks into contact with

students of other applied sciences to their great mutual advantage. Indeed it is interesting to notice that the National Council for Technological Awards in the report on industrial training periods in Dip. Tech. courses referred to earlier, observed that accountancy was a 'traditional field' in which training would provide the valuable experience of observation and measurement where it was necessary to take 'into account opinions and judgements as well as facts'.

Important Consequences

There will be important consequences for the profession if anything like these views on its education and training are accepted. One is that the normal minimum age for admission into articles will have to be 18 and that the educational qualifications for admission will have to be two passes at the advanced level of the General Certificate of Education. Furthermore, the time spent in accountants' offices will have to be looked at as a definite training period following a defined training programme, instead of a rather vague gathering of experience. If this is done, the financial basis for the four- or five-year course could be exactly the same as for the Dip. Tech. and similar schemes in industry and commerce. The articled clerks could be eligible for major county awards. It would also be a matter for serious consideration whether the function of examining the academic part of the course should not be transferred to universities and technical colleges with the latter operating under the new Council for National Academic Awards.

These are intriguing possibilities, but they are matters of detail which need not detain us now. The important thing is that the complexity of modern business and industrial life is such that the education and training of accountants at the highest level needs to be brought into line with the requirements of the second half of the twentieth century. While this is being done, it is essential that it should be so done that there is a margin to spare which is what I understand the then President of the Institute was asking for in the last annual report.

Selection of Articled Clerks

While I am about it perhaps I may be allowed to link this conference paper with one or two other points which Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A., made in his presidential address. I have tried to describe a pattern of further education which embodies the concept of a partnership between the education service and the outside world. This partnership includes the selection of students – in your case articled clerks. The selection of articled clerks would still, under any sandwich course scheme, be a matter for chartered accountants in practice, subject to those selected complying with minimum educational requirements. College principals might be asked to assist and would, I know, gladly place their considerable experience of this kind of work at the disposal of the profession; but the responsibility for the decision would rest with the accountant in practice. One hopes, incidentally, that a scheme of the kind I have suggested would help to attract to the profession some first-class candidates.

Mr Winter also made what I thought was an extremely important point, namely, the necessity for post-graduate training and education. This is indeed a feature of the present-day pattern of further education. I am sick of repeating that we live in a rapidly changing world, but it happens to be true. One of the consequences is that no professional man's education and training can ever come to an end. In this work of post-qualifying education and training, the professional institutes of our country have a major contribution to make, and this I believe to be true whether we are concerned with engineering, applied physics, or accountancy. In accountancy many of the Institute's activities could be enriched by post-graduate academic study and research in universities and colleges, but without the active support and participation of the Institute, any work of this kind undertaken in educational institutions could quickly become detached from the hurly-burly of the life of practical affairs.

I have, I hope, said enough to show that the pattern of further education has changed enormously since the Second World War, and that in the process we have learned much about the education and training needs of professional men and women. This study conference has been called to enable consideration to be given to the particular needs of the accountancy profession especially in the light of experience which has been gained in other fields of professional work.

APPENDIX A

Some statistics illustrating the expansion of further education in recent years.

Source: (i) Statistics of Education 1962, Part Two.
(ii) University Development 1957–62
(iii) Report of the Committee on Higher Education.

(1) Growth in numbers of students (thousands) in grant-aided institutions of further education:

	1954–55	*1962–63*
Full-time		
18–20 years	13·3	32·5
Over 20 years	10·9	24·5
Sandwich		
18–20 years	·7	8·7
Over 20 years	·6	6·6

(2) Growth in number of students (thousands) taking advanced courses leading to recognized qualifications in the same institutions.

	1954–55	*1962–63*
Full-time	8·42	24·11
Sandwich	1·24	14·9

(3) Growth in numbers (thousands) of university students.

	Under-graduates	Advanced students	First year students
1954–55 ..	69·5	12·2	22·5
1961–62 ..	93·8	19·4	32·2

(4) Growth of investment of public funds in the expansion of further education.

Buildings, etc. (£ thousands)

Further Education	1946 to 1954	1955 to 1962
Building projects approved ..	32,977	103,605

Universities		£
1957–58	Non-recurrent grants for sites buildings and equipment, etc.	11,816
1958–59		16,554
1959–60		19,853
1960–61		22,199
1961–62		28,638
		£99,060

(5) Growth of public expenditure (including capital expenditure) on higher education in Great Britain (£ million at 1962–63 prices):

	£
1954–55	90
1962–63	219

(6) Proposed expansion of higher education in Great Britain 1962–63 (thousands of students):

	£
1962–63	195
1980–81	507

The Great Accountant-Diarist

by R. ROBERT, A.C.I.S.

SON of a master-tailor, Samuel Pepys was educated at St Paul's School, London, and went to Cambridge where he took his B.A. degree. In 1656 he entered the service of Sir Edward Montagu, and a year or two later was working at the Exchequer as a clerk. His career at the Navy Board began after the Restoration in 1660 when, at the age of 27, he was appointed Clerk of the King's Ships at the then princely salary of £350 a year. Only a few months later he became Clerk of the Privy Seal, a position which brought in substantial extras.

For this lucky start – contrived by Montagu who was a relative – Pepys had reason to be thankful. He knew nothing about the navy and little about his future job which involved administrative, secretarial and accounting duties. But, energetic and determined, he assumed the mantle of authority as to the manner born. Soon the other members of the Navy Board, all experienced and much older men, admitted him to their counsels. Displaying a fine aptitude in mastering the details of the naval supply service and skilful in his human relations, he was quick in winning friends able to assist him in his career which he confidently foresaw would be a brilliant one.

An Excellent Auditor

Pepys was a man who loved pleasure, but work, once he had discovered the potentialities of his post, was never for one moment neglected. He was at the office six days a week, and it was not unusual for him in the summer months to be at his desk from dawn to dusk. Among other things, he introduced new book-keeping methods and a system of job costing. He ordered that contracts for timber and hemp should be entered in the books in such a way that details could be compared over a period. Unable to get the information he sometimes required, he invented and installed statistical records. The filing and indexing of correspondence, the preservation of important documents and the checking of accounts, were other matters to which he devoted infinite care.

There was, of course, no accountancy profession in Pepys's day, but the term 'accomptant' was in use and there were undoubtedly men well versed in business and financial affairs. Whether the Clerk of the King's Ships was acquainted with the Italian, or double-entry, method of book-keeping is an interesting question. Certainly the accomptants of the East India Company, and the more enterprising City merchants, knew about it. Good textbooks on the subject were available, including Dafforne's *Merchant's Mirror*, published in 1660, which ran to at least four editions. Let us assume, therefore, that Pepys had some knowledge of double entry and that the books of the Navy Board were kept on this principle.

Judging from Pepys's industry in probing accounts with a view to unmasking fraud and corruption, he would have made an excellent auditor. His duties required him to keep an eye on the contractors who supplied the Navy with timber, ropes and calico. This he did with great vigilance and never passed an account without checking both quality and price. Unfortunately, he was not himself above accepting 'presents' and

bribes from the very contractors whose accounts he was subjecting to such minute scrutiny. This practice, though universal among officials at that time, often caused him uneasiness – particularly when Parliament set up a Commission of Accounts to investigate the position. Pepys employed all the known dodges to ensure that the contractors paid him in cash, through third parties, and that no records were kept on either side. That statement, of course, needs qualification, for at dead of night when his household was asleep he committed details of these transactions, and many other things, to paper.

Work Written in Secrecy

Pepys's famous diary, begun on January 1st, 1660, was never intended by him to see the light of day. Indeed, to make sure that it would never be read, he wrote it in a long-forgotten system of shorthand. Some of his less creditable adventures he jotted down in a jumble of French, Latin and Spanish phrases. Never was a work, destined to stand on everyman's library shelf, written in such secrecy.

After Pepys's death in 1703, the diary found its way to Magdalene College, Cambridge, where he had graduated. There it lay collecting dust for over a century. Eventually a young B.A., named John Smith, deciphered the manuscript and transcribed it into longhand. The task occupied him for three years. In 1825, an abbreviated version was published and the bulk of the work – an inexhaustible mine for historians, novelists and sociologists – appeared towards the end of the century.

Very typical is the entry made on January 1st, 1664: 'At the Coffee House, where is much talking about a very rich widow, young and handsome' worth £80,000 and her husband 'not dead a week yet.' On the following day he went to the King's House to see a play, which he thought no good. On January 3rd, 1664, he was at home all day 'looking over and settling my accounts in good order, by examining all my books and the kitchen accounts'.

In May 1669, the diary, amounting to 3,000 closely-written pages, was abandoned and Pepys devoted himself whole-heartedly to naval affairs. Fourteen years later, when he was appointed Secretary of the Admiralty, all the ambitions for which he had fought, intrigued and lived laborious days were achieved.

Weekly Notes

THE FERRANTI REPORT

THE 'First Report of the Inquiry into the Pricing of Ministry of Aviation Contracts',[1] prepared by Sir John Lang, a former Civil Service head of the Admiralty, Mr H. W. Hobbs, deputy controller of Royal Ordance Factories, and Mr J. D. Russell, M.A., F.C.A., a partner in Binder, Hamlyn & Co and a member of the Council of The Institute of Chartered Accountants in England and Wales, was published on Tuesday afternoon. The guided weapons and Ferranti affair was the subject of a Weekly Note in our issue of April 25th, and a special article dealing with the costing of Government defence contracts appeared in the issue of May 30th.

The new report is a revealing and stern exercise in hindsight. It finds that the contributing causes to the excessive profit made by Ferranti were too high estimates of direct labour costs, too high an overhead rate, basing prices on estimated costs at a late stage in production, failure of the Ministry to use information available and failure of Ferranti to disclose that direct labour costs were too high. There are five other factors listed which may have been contributory factors. They are as follows:

(1) Insufficient attention was given to the division of costs between direct and indirect charges.
(2) Failure to show on the Allocation Sheet the existence of a productivity bonus chargeable as 'indirect' and careless verification of the earnings rates.
(3) Failure to bring to notice the profit information contained in financial statements relating to Ferranti.
(4) Lack of knowledge in the Contracts Directorate of the bases of the technical cost estimates and overhead rates.
(5) Staffing difficulties.

The Ministry is criticized for placing undue reliance on technical cost estimates, lack of collaboration between the Directorate of Technical Costs and the Directorate of Accountancy Services and inability to use the Ministry's resources. Ferranti are criticized for submitting quotations and agreements of prices which they knew would yield other than reasonable profits and for the case they submitted in justification.

[1] Cmnd. 2428. H.M.S.O. Price 2s.

RECONSTRUCTION AND STAMP DUTY: 'UNDERTAKING'

A VERY useful exemption from stamp duties in the case of reconstructions and amalgamations of companies is available under section 55 of the Finance Act, 1927, but it is full of pitfalls for the unwary. Section 55 (1) (*a*) provides for exemption from capital stamp duty for a company where it increases its authorized capital for the purpose (*inter alia*) of acquiring another company's 'undertaking'. References to 'undertaking' in the section are to be read as including references to 'part of an undertaking' (section 55 (8)). Where the whole undertaking is acquired then the acquirer is excused from stamp duty on its own increased capital, up to the amount of the capital of the company transferring the undertaking. In the case of acquisition of part of the undertaking, it is such proportion of the transferring company's capital as the value of the part of the undertaking bears to the whole value of the undertaking.

When valuing the undertaking and the part of the undertaking, does one merely value the assets, or does one take liabilities into account? Mr Justice Ungoed-Thomas held last week that one must take the assets, without the liabilities (*E. Gomme Ltd v. Commissioners of Inland Revenue*, *The Times*, July 25th, 1964).

A MARKET FOR HOUSING?

HOUSING continues to be one of the most intractable of the social problems in the United Kingdom. It is due largely to the shortage of houses, and to the fact that many houses are old and deteriorating. It is also, as Mr John Carmichael argues in the latest Hobart Paper, *Vacant Possession*[1], due to the policies which have been pursued by governments since the end of the war which have effectively destroyed any possibility of a free market in rented accommodation. Furthermore, as he points out, it is equally clear from the National Economic Development Council Report on the construction industry, that the building industry's foreseeable output is unlikely to be sufficient to meet current demands for accommodation.

Mr Carmichael rejects the view that the high price of land is the real cause of rising house prices. For him this argument is a red herring. In part, he explains, the rising cost of land is due to the unsatisfied demand for houses to buy; but this demand, he points out, is largely the consequence of the Government's policies which restrict the potential increase in rented properties. He notes, too, the fact that high prices perform an economic function in allocating resources economically, and he goes on to argue, in the light of the recent Government study on the South East, that planning in a statistical vacuum is no substitute for an effective price mechanism.

[1] Hobart Paper No. 28, Institute of Economic Affairs, 66A Eaton Square, London SW1. Price 6s net.

HELP FOR BUILDING SOCIETIES

IN a statement with the half-year results of the Abbey National Building Society, the chairman made reference last week to the liquidity of the movement as a whole. He pointed out that the liquidity of his own Society had dropped very slightly from 16·8 per cent at the end of 1963 to 16·3 at the end of June 1964. He went on to say that it is impossible to establish one right level of liquidity for a building society. They had to preserve the confidence of their investors and therefore tended to be cautious. He thought that the Government could help to improve the liquidity of building societies if it would help to bring back into the societies for use as mortgages, money which they had lent to local authorities. This might take the form of Housing Certificates.

A society would be able, if it wished, to invest some of its liquid funds in some of these certificates and the Treasury might undertake to make a society an advance on these certificates, similar to the loans which the Government made under the 'Loans for Older Houses' scheme. In this way societies would have more money to lend to owner-occupiers. He thought that a limit would have to be put to the level of such certificates issued to each society.

HALF-YEAR'S FIRE DAMAGE

THE nation's bill for fire damage in the first half of 1964 was £38·6 million, nearly 12 per cent higher than in the corresponding period of 1963. If this rate of loss is maintained over the whole of 1964 the outcome for the year will be damage of £77 million compared with £66·5 million in 1963.

The British Insurance Association said last week that the half-year's figures for 1964 were nearly as high as for the whole of 1961, and that the present trend of damage will raise the annual bill to about £100 million by 1970 unless greater care is taken with fire hazards. It has to be remembered, too, that these figures cover only actual fire damage and include nothing for disruption and other consequential losses due to fire.

Even at the annual rate of £77 million it is of interest that a sum of this size could be compared with the following items of public expenditure – subsidies from the central Government to local authority housing at £85 million, Second World War pensions at £65 million, national assistance grants to old persons at £61 million, industrial injury benefit at £73 million, grants to universities at £71 million, school meals and milk at £84 million. All these items refer to the fiscal year 1963–64.

LONDON'S TRAFFIC

THE first part of a report on London's traffic was issued last week called *London Traffic Survey – Volume I* jointly commissioned by the Ministry of Transport and the London County County Council[1]. This volume is concerned only with

[1] Price £6.

recording what has happened on London's roads in recent years, but the assembling of these facts creats an alarming enough picture without having to wait for their interpretation and any Government proposals as to what should be done.

Traffic has increased in a decade by between 40 per cent and 50 per cent. It is thought that the increase would have been even greater had there been enough space. Although three-quarters of all journeys in central London are still made by bus and train, car travel continues to grow rapidly. Car ownership in the London area increased 2·7 times between 1951 and 1961 and the survey expects this to double again by 1981.

The main value of the report is the material it will give for long-term planning. In that respect it will be a companion volume to the Buchanan Report. It is becoming increasingly clear that drastic steps will have to be taken to prevent a build-up of population and traffic in the London conurbation and the first volume of this survey should play its part in preparing the public for some unpalatable official proposals in due course.

This is My Life . . .

by An Industrious Accountant

CHAPTER 235

IT all began when my private secretary announced that one of our shareholders, Mrs Jones, was waiting outside. She hadn't an appointment, but hoped I could spare just a few moments to talk about her shares. She had held, said my secretary, referring to her notes, seventy-five of our £1 ordinary shares for the last forty years.

We don't often get visits from small shareholders, who tend to be unimportant ciphers in the world of big business, but I like to treat them as our real owners. After all, if they hadn't put up the money in the first place we wouldn't be here at all. So I shook myself free from drafting a rather tricky memorandum to our personnel director on present low salary scales for junior clerical staff and invited the good lady in.

Mrs Jones was a frail little creature with pathetic eyes who'd been hard hit by circumstances all her life. Widowed young, her sons lost in the war, straitened by rising living costs, she was clearly finding it hard to keep smiling. Now she was wondering if she should sell her shares; if so, could I possibly find her a buyer? Or could she open a small credit account with us? She's always shopped here, of course; being a shareholder one must be loyal; a little credit would help. She's always tried to pay cash . . . it wasn't easy.

A touch of quick assistance seemed indicated. Our shares are well sought after these days so I phoned our stockbroker to expect her; perhaps she'd do well to wait for our interim dividend first, I suggested, curbing an urge to say it would undoubtedly be increased. Share prices would rise, probably. As regards the credit account, nothing could be simpler. My secretary would take her at once to the office manager who'd arrange matters for her with Mike, the appropriate ledger clerk. There was nothing we'd hesitate to do to facilitate such a valuable old shareholder, and so on. Mrs Jones was touchingly grateful, my secretary was charmingly attentive to her; they went off together.

I had a momentary urge to phone the office manager to be generous with her credit rating, but restrained myself from interfering. He knows her personally and can be relied on to do his best. If he gives her a £50 credit limit, and she waits for the shares to pick up a few points, it should help . . . back now to that memorandum. I altered 'penurious policy' to 'conservative policy' and got well dug into my plea.

Late that afternoon, as I left a long meeting, my secretary told me that Mrs Jones had phoned to express appreciation, as Mike had been most helpful and everyone here had been wonderful. I felt a glow of conscious virtue at a deed well done . . . back again to that memo.

Two mornings later, just as I opened a little blue envelope to read a warm note of thanks from our shareholder, Mike entered my room. I read the trouble in his eyes before he opened a stammering mouth. 'How much credit?' I said. 'Five hundred pounds limit,' he blurted. 'But she bought right up to the top. A Persian lamb coat, a carpet . . and everything. Your secretary said she was a valuable shareholder and to stop at nothing.' He was passing the blame to her so she promptly passed it to me. 'That's exactly what you said,' she chirped, 'and that's what I told Mike, but I never said *five hundred*!' 'I didn't think she'd take it all at once,' he said. 'I only meant to start her off while I made some inquiries; I've only just totalled all her dockets.'

Apparently the office manager had been away that afternoon, so these two bright young idiots had gone ahead without him. No checking back by Mike, no naming the actual shareholding by her, no word to anyone. No wonder our desolate old shareholder had been so grateful; there probably isn't a hope of her paying off the balance for years: she's got an unexpected and undeserved bonus from life.

Undeserved? We-ell . . . maybe; maybe not. Maybe a loyal old shareholder deserves loyalty on a two-way basis; perhaps our bad debts reserve can stand an occasional debit in a case as deserving as this.

Tax Topics

COMPUTERS FOR THE INLAND REVENUE

A RECENT article in *The Times* noted that the Inland Revenue are now moving into the computer age. It seems that the Revenue already have a computer for their statistical work, but with the remarkable development in this field that has taken place in the last few years, a new computer to be installed at Worthing will not only process the statistical work, but also handle the payroll for the entire department. From the public's point of view, most interest lies in the likelihood that the routine work of P.A.Y.E. will ultimately be transferred entirely to computers. At present about thirty-five million tax deduction cards for some twenty-three million employees are handled every year. As any employer knows to his cost, the most tiresome problem arising from P.A.Y.E. is the highly mobile worker who changes his job at irregular intervals and for whom Form P45 and sometimes a refund of tax have to be made. This individual poses even larger problems in the aggregate for the Inland Revenue.

The key would seem to be a central record in which every taxpayer can be quickly identified, and it is felt that automation will meet this particular need. The computer is after all nothing more than a remarkable 'memory store' and it should be possible ultimately to process the information in such a way that it can be transferred to magnetic tapes for the computers.

The first of these is to be used in Scotland at East Kilbride, and it is intended that the new computer will be delivered in August 1967. Within two and a half years of its installation it is hoped that the new computer will take over the whole of the P.A.Y.E. work in Scotland.

SHADOW TAXES

TO the student of fiscal affairs the main problems confronting any Chancellor, whatever his political affiliations, must be to acquire sources of additional revenue. Inevitably in such circumstances new taxes have an especial attraction, since the burden of the existing taxes is already becoming for many people onerous enough. For this reason, quite apart from any redistributive effects it may have, the Labour Party has been considering the imposition of a wealth tax. Recent research into this subject, however, has made it fairly clear that the tax would be both difficult to administer on any really equitable basis, and that if it were restricted to the largest estates, would not yield more than about £200 million or so.

While in itself this is a sizeable sum, in relation to fiscal needs it is small. Mr Callaghan, the Labour Party Shadow Chancellor, has recently stated in an article in the *Stock Exchange Gazette* that he is not committed to introducing such a tax, but merely that he will examine the details and its potentialities with the Revenue officials if his party comes to power. Furthermore, it seems that the Labour Party is having a second look at the dual rates profits tax, and is beginning to consider the possibilities of a corporation tax on American or Continental lines. Such a tax need not necessarily militate against the shareholders' interests, since to the extent that the economy is buoyant and the demand for the firm's products high, there is no reason why it should not be possible for companies to pass such taxes on to their customers. In this way the Chancellor gets the best of both worlds, in so far as he is apparently taxing the wealthy corporations, which are effectively collecting the money from the consumer, whose activities the Government will need to restrain if all its spending plans are to be fulfilled.

RATES HARDSHIP

BY autumn the Allen Committee, now inquiring into the incidence of the local rate among householders, should have reported. This report will no doubt be a mine of information on the rating system, but whether it will bring much comfort to those who have charged the rating system with such defects as inequity and unjustness, etc., remains to be seen. Quite apart from the recent Rating (Interim Relief) Act whereunder local authorities may relieve hardship within specified limits, there already exist powers to remit rates under the Rating and Valuation Act, 1925. Under this Act magistrates may not issue a warrant of commitment against ratepayers who are unable to pay. The result has been that very few local authorities do in fact take proceedings against such of their inhabitants as are in difficult circumstances.

A recent survey by The Institute of Municipal Treasurers and Accountants shows that among the major county boroughs there have been very few cases indeed where these provisions have been utilized. No doubt the reasons for this lie in the fact that for purposes of interpreting this section of the Act, hardship is defined in fairly strict terms, and in any case national assistance and income tax allowances all assist the poorer ratepayer.

LIGHT ON PATENTS

A NEW issue of the explanatory memorandum entitled *Patents and Income Tax* (No. 490) has been issued by the Board of Inland Revenue. The pamphlet falls into two main sections. The first deals with the allowances for capital expenditure in respect of the purchase of patent rights as provided for under sections 316 and 317. The second part explains the taxation of capital sums received for the sale of patent rights as provided for under section 318 and Part 2 of the Sixth Schedule, Finance Act, 1952. There is also a brief section dealing with the relief for expenses as provided by sections 139 and 320. For any practitioner whose clients are concerned with patent rights, this pamphlet would be a useful acquisition to his library.

COUNCILS IN SESSION—X

The General Council of The Institute of Chartered Accountants in Australia. Seated (*left to right*): Messrs G. L. Allard, A. B. Cleland, C. H. Joscelyne, T. C. Boehme, Colin R. Kelynack (*President*), R. A. Irish, G. C. Tootell, Colin A. Gray, F. E. Trigg. Standing (*left to right*): Mr S. B. Denton (representing Mr A. V. Adamson), Mr T. D. Room (representing Mr R. L. Hyland), Messrs C. B. Hugall, J. K. Little, E. W. Savage, L. W. Doggett, J. D. Fell, E. H. Wheatley, A. K. Wertheimer, S. J. T. Walton (*Registrar*).

Finance and Commerce

Mitchell Construction

THE accounts of Mitchell Construction Holdings Ltd, which form this week's reprint, are the first to be presented by the company as a public concern. The company's ordinary shares and convertible loan stock were the subject of an offer for sale in June of last year.

These being the first public accounts it is as well that the chairman, Mr D. D. Morrell, goes to some lengths to explain the accounting basis. The company's practice is to value work in progress at cost, less provision for losses, and to bring into account profits on contracts only when they have been completed and all outstanding items have been agreed and settled. Profits of each year, therefore, relate to contracts treated as completed, and not to work done in that year.

Mr Morrell believes 'that this basis is not merely conservative, but is the only practical one'. But taking into consideration the narrow margins on which the company works and the substantial nature of payments for extra work, often negotiated after the physical work has been completed, the annual accounts 'can by themselves only imperfectly measure the progress of the company'.

Moving Average

In some years several large contracts may be finally settled and in others, very few. Mr Morrell warns shareholders that disclosed profits can be subject to large fluctuations and 'they should not let such fluctuations unduly delight or discourage them'.

In making these points Mr Morrell is, to a degree, repeating what many company chairmen, similarly placed, have said in the past. But he goes considerably further by suggesting that shareholders will obtain a better picture of their company's performance by considering a four-year moving average of profits.

On that basis the company's progress would read as follows: average profits 1957–60, £202,000; 1958–61, £280,000; 1959–62, £359,000 and 1960–63, £401,000.

May it be suggested that this moving average is kept moving in subsequent reports. Its inclusion in the present accounts is commendable, but it often happens that a statistical exercise of this nature is performed once for shareholders' benefit but is not performed again.

MITCHELL CONSTRUCTION HOLDINGS LIMITED AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31st December, 1963

		1963		*1962 (Note 10)*
	£	£	£	*£*
Group Trading Profit for the year (Notes 1 & 6)		476,633		*428,436*
Deduct: Loan Stock Interest (Half Year—Gross)		24,000		*—*
Group Profit before taxation		452,633		*428,436*
Deduct: Taxation based on profit of the year (Note 2)				
Income Tax	144,326		*168,249*	
Profits Tax	51,185		*64,000*	
	195,511		*232,249*	
Less: Adjustments in respect of previous years	31,857		*52,474*	
		163,654		*179,775*
Group Profit after taxation		288,979		*248,661*
Deduct: Outside shareholders' interest		4,598		*11,309*
		284,381		*£237,352*
Deduct: Earned by Subsidiaries prior to the effective date of acquisition on 1st April, 1963		71,075		
Profit Attributable to Mitchell Construction Holdings Limited		213,306		
Dealt with by the Holding Company	108,083			
Retained by Subsidiaries	105,223			
	£213,306			
Appropriations:				
Dividends, less Income Tax				
Preference—Half Year to 31st December, 1963	10,719			
Ordinary —Interim of 5%	22,969			
Proposed Final of 10%	45,937			
		79,625		
Unappropriated Profit carried forward		£133,681		

Mechanization of Accounts

Success is described by Mr Morrell as depending 'on being constantly alive to the need for change and in adapting the organization to meet it'. On the administrative side, that means increased mechanization of accounts and costing and on the technical side, the provision of specialist services in research and design.

A current problem, and one likely to become more acute, is the intensity of competition which has thrown up a double price structure in the industry. Contractors have promoted negotiated and speculative work which, Mr Morrell considers, is subsidizing competitive work with consequent undermining of the wage structure inevitable when the normal limitations placed on a contractor by competition no longer apply.

Mr Morrell considers that a rationalization of the wage structure, and in particular of the hourly rate when considered in conjunction with excessive overtime working and the payment of so-called incentive bonuses, may be long overdue.

It is against this background that the Mitchell group has always refused to buy work and has kept fixed price contracts to a minimum. Current order books, although below maximum capacity, are reasonably balanced and considerably up on last year.

Changed Basis

Another point made on the accounts is the change made in valuing work in progress in the Kinnear Moodie subsidiary. In the past this was taken at certified values less retentions. In future, contracts begun in 1963 or later will be valued on the same basis as the rest of the group.

This change has resulted in an improvement of some £40,000 in Kinnear Moodie's figures for 1963. The subsidiary's turnover increased considerably during the year and, under the earlier accounting basis, all the initial financing of this new work would have been reflected in the accounts as losses, pending recovery through the medium of certificates during the course of the contracts.

This could be misleading, Mr Morrell comments, in so far as during any period in which turnover is expanding satisfactorily, artificial losses would be shown and, on the other hand, an adverse turnover trend would throw up apparent profits purely because money was being released and not being engaged in the inauguration of new work.

Kinnear Moodie is known best for its tunnelling expertise and the Mitchell Construction group as a whole covers civil engineering, building, concrete products, specialist services, quarrying, and property investment and development.

No Description

A WRITING up of a trade investment from £3,675 to £200,000 caught the eye in the accounts of James Dawson & Son Ltd, of Boultham Works,

MITCHELL CONSTRUCTION HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Balance Sheet as at the 31st December 1963

	£	1963 £	£	1962 (Note 10) £
Share Capital of Mitchell Construction Holdings Limited		1,250,000		160,302
Capital Reserves				
Share Premium Account (Note 3)	252,328		—	
Reserve arising on consolidation	71,856		105,848	
		324,184		105,848
Unappropriated Profit		133,681		820,267
		1,707,865		1,086,417
Loan Capital				
6% Convertible Unsecured Loan Stock 1983/88 (Note 4)		800,000		—
Outside Shareholders' Interests		126,276		126,057
Future Taxation		152,557		185,000
Current Liabilities				
Creditors	2,857,161		2,706,268	
Taxation	310,001		170,340	
Bank Overdrafts (Secured—Note 5)	745,023		1,345,213	
Proposed Dividends	56,656		—	
		3,968,841		4,221,821
		£6,755,539		£5,619,295

	Cost £	Accumulated Depreciation £	1963 £	£	1962 (Note 10) £
Fixed Assets					
Land and buildings	488,058	30,290	457,768		390,862
Plant and equipment	2,320,889	1,429,838	891,051		939,034
	£2,808,947	£1,460,128	1,348,819		1,329,896
Trade Investment in Canada, at Cost			33,337		33,337
Current Assets					
Work in Progress, less cash received on account (Note 6)		4,539,155		3,539,780	
Stocks and stores (Note 7)		345,810		402,924	
Debtors		459,518		277,674	
Cash		28,900		35,684	
			5,373,383		4,256,062
			£6,755,539		£5,619,295

Lincoln. The chairman in his review says that the book value of the investment had stood at £3,675 for many years and 'there was a danger of that figure conveying a wrong impression to shareholders'.

The revised book value of £200,000, the chairman adds, closely represents the net asset value in South Africa of our shareholding according to the balance sheet of the South African company, and in view of the amount of the dividends consistently received I think it is conservative'. That is sound enough.

But what is this South African trade investment? The chairman does not say, nor do the accounts give an indication of its identity. Come to that, there is not the slightest indication in the report of what James Dawson & Son actually does for its living.

Turnover was a record, demand taxed manufacturing capacity, there are plans in hand for increasing the capacity of the Boultham works and new land is being bought. The order book 'is as full as it has ever been' and 'all sections of the management are continually alive to possible developments of the company's range of products'.

The company does, in fact, manufacture transmission belting but the uninformed reader of the report would never know.

MITCHELL CONSTRUCTION HOLDINGS LIMITED

BALANCE SHEET as at 31st December 1963

		£ Authorised	£ Issued and fully paid
Share Capital			
7% Cumulative Preference Shares of £1 each		500,000	500,000
Ordinary Shares of 5/- each		1,500,000	750,000
Unclassified Shares of £1 each		500,000	—
		£2,500,000	1,250,000
Capital Reserve			
Share Premium Account (Note 3)			252,328
Unappropriated Profit			28,458
			1,530,786
Loan Capital			
6% Convertible Unsecured Loan Stock 1983/88 (Note 4)			800,000
			£2,330,786
Represented by:			
Interest in Subsidiaries			
Shares at Cost		1,086,000	
Amount owing from Subsidiary (including dividend)		1,350,871	2,436,871
Less: Current Liabilities			
Creditors		39,798	
Taxation		9,350	
Bank Overdraft (Secured—Note 5)		281	
Proposed Dividends			
Preference	£10,719		
Ordinary	£45,937		
		56,656	106,085
			£2,330,786

D. D. MORRELL
J. F. R. MITCHELL } Directors

MITCHELL CONSTRUCTION HOLDINGS LIMITED

NOTES TO ACCOUNTS, 31st December, 1963

(1) Trading Profit

The Company acquired, with effect from 1st April, 1963, the whole of the issued Share Capital of The Mitchell Construction Company Ltd. The Group Trading Profit shown in the Consolidated Profit and Loss Account includes the profit of The Mitchell Construction Co. Ltd. and its Subsidiaries for the year to 31st December, 1963 and is after charging:

	1963 £	*1962 £*
Directors' emoluments		
fees	3,370	—
executive remuneration	43,735	*38,285*
Auditors' remuneration and expenses	3,142	*3,207*
Depreciation	270,556	*261,370*

(2) Taxation

The taxation charge of £195,511 for the year is low in relation to the profit of £452,633. This is due partly to the benefit of Investment Allowances and partly to relief arising from last year's loss in Kinnear Moodie.

(3) Share Premium Account

	£
Share Premium arising on acquisition of Share Capital of The Mitchell Construction Co. Ltd. in exchange for Shares in the Company	925,698
Less: Capitalised for Scrip Issue	589,698
	336,000
Less: Issue Expenses written off	83,672
	£252,328

(4) Loan Stock

The loan Stock is convertible into Ordinary Shares at the option of the Stockholder at the following rates for each £100 of Loan Stock

Conversion Date	Number of 5/- Ordinary Shares
1st August 1964	105
1st August 1965	100
1st August 1966	95
1st August 1967	90
1st August 1968	85

(5) Bank Overdrafts

Bank overdrafts are secured on the assets of the Group by way of Debenture of the main operating Company.

(6) Work in Progress

Major Contracts take a number of years to complete and the profit is brought into account only when all outstandings have been agreed and settled. Work in Progress of the principal Subsidiaries is valued at cost, less provision for losses. Kinnear Moodie (Civil Engineering) Limited was an exception, but all Contracts of this Subsidiary commenced after 1st January, 1963 are now valued on this basis. If the old method had been continued, Work in Progress would have been approximately £40,000 less.

(7) Stocks and Stores

A concise statement of the bases used for the valuation of stocks and stores is not practicable due to the diversity of the activities of the Group, but the amount shown has been determined for the whole of the stocks and stores at the Balance Sheet date on bases which are considered appropriate in the circumstances and have been consistently applied.

(8) Capital Commitments

Capital commitments for which provision has not been made in the Consolidated Balance Sheet, amount to approximately £16,000 (1962–£5,500).

(9) Currency Conversion

Canadian currency has been converted at the rate of \$3.00—£1 sterling.

(10) Comparative Figures

As these are the first Accounts of Mitchell Construction Holdings Limited there are no figures of the previous year available for that company. The comparative figures shown are those of The Mitchell Construction Company Limited, and its subsidiaries.

Note:

These notes are part of the Company's Accounts and are given to conform with the requirements of the Companies Act, 1948.

CITY NOTES

ACTIVITY on the merger front is still providing the stock-market with interest and excitement but the true flow of investment business is undecided. Merger and take-over operations lead to sharp price movements on fact as well as fancy but the movements only thinly disguise a renewed state of indecision in the market as a whole.

Doubt turns on economic prospects and more particularly on the interest rate question. For three weeks the Treasury bill rate has risen sharply and is now beginning to discount a Bank rate rise. The one may not necessarily follow the other.

The Treasury bill rate is being used as a vehicle for attracting funds to London and, in that way, helping to counteract the effect on sterling of relatively high interest rates ruling on the Continent. If this fund-attracting object is to be achieved then Bank rate may stay put at 5 per cent.

Meanwhile, doubts persist and, with equities very nearly at peak levels, there is a growing tendency to hold off the market with business left to short-term operations largely concentrated on take-over propositions.

* * * *

AN interesting point during the period of postal delays was the continued success of new issues. New share offers attracted heavy over-subscription with applicants successfully overcoming the postal obstacle. Brokers did the bulk of the application work receiving their clients' orders by phone. Delays, however, have been inevitable in distributing allotment letters and, in turn, the start of dealings has been delayed for a few days in most cases. But there was only one obvious case of a new offer being postponed – an offer of shares in Harwal Group on the Cardiff market.

THE cult of personality continues to grow in the united trust movement. Sir Gerald Nabarro, Sir Miles Thomas and Sir Fordham Flower appear in print and picture in the advertised prospectus of the new Midlander Unit Trust. Press reception of this 'knighted' trust was lukewarm.

No trust portfolio was stated with the initial offer of units, beyond the fact that the trust would invest in Midlands companies. The trust's investment managers, Singer & Friedlander, hold the view that stating the portfolio would put prices up against the trust's buying intentions.

That is a fair enough view but there is a feeling in the City that the Board of Trade should demand not only submission of the intended portfolio but also publication of it.

* * * *

A NICE point was raised by Mr A. H. Carnwath, of Baring Brothers, when addressing the International Banking Summer School at Oxford. Speaking about mergers and bids Mr Carnwath seemed to doubt whether it was in order for directors to make preliminary announcements about merger negotiations and advise shareholders not to sell their shares. To do so is the usual form.

But what if the negotiations fall through? The shares might rise, say, on the original announcement from 20s to 30s with the board advising holders not to sell. The talks fail and the price falls back to its original level with the result that holders who followed the board's advice have missed an opportunity to sell at a temporarily enhanced price.

Mr Carnwath made the point that the market on the receipt of news of merger talks invariably puts up the share price to a level close to what a bid would be worth.

RATES AND PRICES

Closing prices, Wednesday, July 29th, 1964

Tax Reserve Certificates: interest rate 28.3.64 2¾%

Bank Rate

July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%

Treasury Bills

May 22	£4	7s	8·75d%	June 26	£4	9s	3·39d%
May 29	£4	7s	6·17d%	July 3	£4	9s	4·72d%
June 5	£4	8s	26·9d%	July 10	£4	9s	7·75d%
June 12	£4	8s	8·49d%	July 17	£4	11s	7·01d%
June 19	£4	8s	9·84d%	July 24	£4	12s	11·95d%

Money Rates

Day to day	3⅜–4½%	*Bank Bills*	
7 days	3¼–4⅝%	2 months	4 13/16–4⅞%
Fine Trade Bills		3 months	4 13/16–4⅞%
3 months	5¾–6¼%	4 months	4 13/16–4⅞%
4 months	5¾–6¼%	6 months	4⅞–4 15/16%
6 months	6–7%		

Foreign Exchanges

New York	2·78 29/32	Frankfurt	11·08⅝
Montreal	3·01 11/32	Milan	1742⅞
Amsterdam	10·07¾	Oslo	19·96⅛
Brussels	138·68½	Paris	13·66¾
Copenhagen	19·29⅛	Zürich	12·06

Gilt-edged

Consols 4%	63 15/16	Funding 3% 59–69	89⅝
Consols 2½%	41 9/16	Savings 3% 60–70	86 3/16xd
Conversion 6% 1972	102 1/16	Savings 3% 65–75	77 5/16
Conv'sion 5¼% 1974	97⅛	Savings 2½% 64–67	92¼
Conversion 5% 1971	96 7/16	Treas'ry 5½% 2008–12	91⅝
Conversion 3½% 1969	91½	Treasury 5% 86–89	87 9/16
Conversion 3½%	57⅛	Treasury 3½% 77–80	75 15/16
Funding 5½% 82–84	94 11/16	Treasury 3½% 79–81	74 13/16
Funding 4% 60–90	93⅜	Treasury 2½%	41 9/16
Funding 3½% 99–04	63¾	Victory 4%	96¼xd
Funding 3% 66–68	90⅝	War Loan 3½%	56 13/16

Reviews

Comptabilité Analytique et Contrôle de Gestion

by PIERRE LAUZEL. (Editions Sirey, 22 rue Soufflot, Paris, 5e. F.42.)

This French work on cost accounting and budgetary control has been designed for courses in business management rather than for training book-keepers or accountants. It aims to provide managers with sufficient knowledge of accounts to enable them to seek accounting solutions to their problems where these can be of assistance. M Lauzel is a leading figure in French accountancy; the design and implementation of the national chart of accounts are part of his achievement, and he is vice-president of the Conseil National de la Comptabilité, a department of the Ministry of Finance and Economic Affairs. But it is his work as professor at the Institute of Business Management of the University of Paris that has led him to write this book.

It is divided into three parts, the first of which consists of a straightforward description of costing method, together with an introduction to its critical evaluation. Part two links costing with the techniques of budgetary control. The third part consists of a monograph on the costing and budgetary systems of a firm in the metal-working industry, and seven cases, drawn from practice, relating to the use of cost data for management decisions. A final chapter draws certain conclusions about some controversial aspects of the subject.

The different point of view presented is refreshing to the British reader, and many of the observations are of the thought-provoking kind – like the reference to the paradoxical situation in which firms find themselves, with their costs becoming more fixed just at the time when demand is becoming more flexible. A quotation from the French economist, Andre Marchal, suggests that an accountant's approach to economic problems may be more scientific than the economist's intuitive theorizing. Depreciation calculations on the annuity basis are presented as normal, and the reducing balance method, so beloved in Britain, is not deemed worthy of a mention.

It would be very much worth while if a translation of this book were available to British readers, if only to widen their horizons by enabling them to appreciate what different approaches to their problems are possible. One particularly praiseworthy feature will commend it; the author is never partisan of simple solutions; and even when describing return on investment calculations in capital budgeting, he finds space to quote critics of such methods. The book is profusely illustrated with charts and graphs and contains a number of worked problems.

Proceedings of the Second Congress of the European Federation of Financial Analysts Societies: Cambridge 1963

(The Society of Investment Analysts Ltd, 21 Godliman Street, London EC4. 22*s* 6*d*.)

The recently published record of proceedings of this 1963 Congress makes absorbing reading for anyone interested in the subject of presentation of information to shareholders. There were twelve commissions representative of the six European countries involved, each commission presenting a study of a particular aspect of published information. Four studies related to shares of companies in particular industries – stores, vehicle manufacturing, steel and insurance, while the remainder were more general in nature. Of these probably the most interesting to accountants are those dealing with consolidation of accounts, company reports, terms and concepts, earnings comparisons and capital employed.

Sometimes one is left wondering why a particular course is recommended (e.g. why must goodwill on consolidation never be written off?) but there is an immense amount to cause thought and concern to those responsible for accounting statements and, it is hoped, to bring home exactly how improvements may be achieved. The analysts have attempted to define terms such as 'cash generation' and 'cash flow' and to differentiate between them; though accountants still refer to cash flow when they mean more precisely the cash forecast or budgeted *actual* flow, rather than the approximate figure of the analyst, or when a funds statement is produced.

This volume of proceedings is priced cheaply enough to encourage many to purchase and read them and are accompanied by a separate volume containing a small but excellent bibliography (arranged in order of participating countries) of reference literature.

The Transport Problem

by C. D. FOSTER. (Blackie & Son Ltd, London. 40*s* net.)

Few books can have appeared at such an opportune moment as this. Its primary purpose is to examine the requirements of what is sometimes described as a national co-ordinated transport policy. The author examines the problems of the railways and the roads as they are at present organized, and considers the various bases upon which the two systems might be operated. On what principles should the railways charge for carrying passengers and goods? How far is the decision affected by the fact that this is a nationalized industry? In his discussion of roles, he considers the principles of charges which might be made in order to maximize revenues, and how congestion might be eliminated by fiscal methods.

This is primarily a book for economists. Yet it is to be hoped it will enjoy a much wider readership for the very simple reason that the transport problem is

so seldom seen from the wider viewpoint of the economist; all too often it is the sectional interests whose views have received extensive publicity in recent years, and Mr Foster's study will provide a useful corrective to the loose and irrelevant thinking that surrounds a subject which is rapidly emerging as one of the major political problems of our time.

RECENT PUBLICATIONS

SHAW'S GUIDE TO THE ENFORCEMENT OF PLANNING CONTROL, by A. J. Little, LL.B., D.P.A., xxiii+130 pp. 9×6. 28s 6d. Shaw & Sons Ltd, London.

GOVERNMENT AND BANKING IN WESTERN NIGERIA: A Case Study in Economic Policy, by Charles V. Brown. xii+141 pp. 7½×5. Card covers. 7s 6d net. Published for the Nigerian Institute of Social and Economic Research by Oxford University Press, London.

PRINCIPLES OF AUDITING, third edition by Walter B. Meigs, PH.D., C.P.A. xvi+857 pp. 9½×6½. $9.00 Richard D. Irwin Inc., Homewood, Illinois.

PROVINCIAL SALES TAXES: Report of a Survey of Retail Sales Taxes in Canada, revised edition, by John F. Due and Bernard J. Kilbride. xii+234 pp. 9×6. Card covers, 1 copy $3.50; 10 copies $26.00; 25 copies $58.50; 100 copies $175.00. Canadian Tax Foundation, 154 University Avenue, Toronto 1, Canada.

THE WORLD OF STATISTICS, by D. A. Johnson and W. H. Glenn. 64 pp. 9×6½. 8s 6d net. John Murray Ltd, 50 Albemarle Street, London W1.

'TAXATION' KEY TO INCOME TAX AND SURTAX, fifty-seventh edition, edited by Percy F. Hughes. 247 pp. 8½×5½. Paper covers. 14s net (14s 7d including postage). Taxation Publishing Co Ltd, London.

NEW DIRECTIONS FOR WORLD TRADE: Proceedings of a Chatham House Conferene, Bellagio, September 16th–24th, 1963. 241 pp. 9×6. 30s net (U.K. only). Published for the Royal Institute of International Affairs by Oxford University Press, London.

THE INDEPENDENT RETAILER, by Alan Fiber. xx+249 pp. 9×6. 35s net. William Heinemann Ltd, London.

ACCOUNTING: A Management Approach, third edition, by Myron J. Gordon, PH.D., and Gordon Shillinglaw, PH.D., xvi+865 pp. 9½×6½. $8.95 (College). Richard D. Irwin Inc., Homewood, Illinois, U.S.A.

NEW TRENDS IN PENSIONS, by Michael Pilch, B.A., F.C.I.I., and Victor Wood, B.A., F.F.A. 223 pp. 8½×5½. 40s net. (U.K. only). Hutchinson Ltd, London.

PEOPLE, PRODUCTIVITY AND PROGRESS, by F. R. Bentley, C.P.A., 162 pp. 9×6. 35s net. Business Publications Ltd, London.

These books may be obtained from, or through, Gee & Co (Publishers) Limited, The City Library, 151 Strand, London WC2.

Practitioners' Forum

Simple Working Sheet for Incomplete Records

ONE of the problems inherent in incomplete record work is the smallness of the fee when, in fact, the accountancy work involved may well be more complicated than would be the case if full double-entry accounts were kept. For it does not always allow for the time necessary to maintain proper ledger accounts or some equally permanent record of the client's business affairs, which may well be essential for the client in the case of subsequent queries (for example, by the Inland Revenue), or for the accountant as proof of the correctness of the final accounts produced.

It is, of course, possible by analysis and summarization to achieve details which may be added to the trial balance of the previous year's closing entries (or, where the opening year is under consideration, the opening statement of affairs), but such an extended trial balance is likely to be too cumbersome for general use, and runs the risk of lending confusion as to debit and credit and also of giving rise to errors because the reader's eye may 'slip a line' in a too lengthy cross addition.

For this reason some practitioners have devised a simple form of working sheet for use in the case of incomplete records where the sources of accounting information are cheque payments, bankings or other figures of takings and cash receipts and disbursements.

The basic design of this working sheet will be familiar to most practitioners as a variant of the columnar or tabular ledger used by many hotels and similar businesses, so that the whole sheet becomes in effect a control account of the non-existent ledgers, while each 'line' summarizes a ledger account.

The simplest way of setting out the system is to demonstrate its application as in the accompanying example. From this statement it will be seen that it is extremely simple to reference entries to underlying schedules.

The supporting schedules are in two parts: those running from 'A' to 'O', required in detail for record purposes or for tax computations (e.g. plant or equipment additions and sales); and those from 'P' to 'R', because they are affected by provisions at the year-end. These schedules will be used to build up the total debtors' and creditors' figures for the final accounts.

The order of the items in the example is in three sections; starting with the proprietor's capital, we deal next with fixed assets and loans and connected matters such as hire-purchase interest payments; next we list the revenue followed by the expenses and items directly affected thereby (e.g. work in progress, bank balance, etc.) roughly in alphabetical sequence.

It should be readily appreciated from a detailed perusal of the example that this is a system eminently adaptable to many differing businesses where it is perhaps over-burdensome to write up actual ledgers of impersonal accounts; but should it be necessary to do so, successive years' working sheets may be filed in a binder to constitute an excellent substitute for such a more traditional form of accounting.

A. FARMER
AGRICULTURAL CONTRACTOR
WORKING SHEET

Period.................................... **To**....................................

	Schedule	Opening debtors £	Cash-book payments £	Adjustments £	Profit and loss account credits £	Closing creditors £	Opening creditors £	Cash-book receipts £	Adjustments £	Profit and loss account debits £	Closing debtors £
Proprietor's capital	A		944			3,592	3,544		48 (*Profit*)	944	
Motor and equipment	B	5,230	2,117	1,860		383		1,000	3,780 (*Depn*)	926	3,884
Loan accounts	C					1,600	1,600				
Hire-purchase interest	D		194							194	
Services	E	610			6,270			6,393			487
Sales of farm produce					337			337			
Deficiency payments					261			261			
Sales of eggs											
Bank balance	F		1,526			1,242	1,526	1,242			
Accountancy	G		25			14	28			11	
Wages and N.H. Insurance ..			2,362							2,362	
Insurance	H	8	194							162	40
Tractor expenses			325				84			241	
Repairs			188	170						358	
Motor expenses	P		211			50	75			186	
Rent	I		66							66	
Loan interest	J			11			11				
Seeds and fertilizers			224							224	
Sprays			171	100						271	
Subscriptions	K			2			1			1	
Sundries			40							40	
Telephone	Q		36			10	10			36	
Office expenses				20						20	
Printing and stationery				15						15	
Shed rent and rates	L		78				26			52	
Sub-contracting	M		96				96				
Tractor deposit											
Twine			340	180						520	
Work in progress	N	540								130	410
Valuation of stores, etc.	O	613								13	600
Debtor on equipment deposits ..	R			1,470							1,470
Bank charges			96							96	
		£7,001	£9,233	£3,828	£6,868	£6,891	£7,001	£9,233	£3,828	£6,868	£6,891

Notes and Notices

PROFESSIONAL NOTICES

MESSRS ALAN ASHTON & Co, Chartered Accountants, announce that as from August 4th, 1964, their address will be 64A Brentwood Road, Romford, Essex. Telephone Romford 63530.

MESSRS COOK & Co, Chartered Accountants, Liverpool and Manchester, and Mr J. R. HAYES, F.C.A., of Llangollen, announce that they have formed a joint practice under the name of HAYES, COOK & Co. The partners in the new firm will be Messrs J. R. HAYES, F.C.A., K. C. COOK, F.C.A., I. F. D. HILL, F.C.A., and A. RULE, A.C.A.

MESSRS HOWARD HEATON & BENDALL, MESSRS BAYFIELD & BAYFIELD and MESSRS BUCKLE & EVANS, Chartered Accountants, having amalgamated their practices, have changed the name of the firm to HOWARD HEATON & BAYFIELD, Incorporating BUCKLE & EVANS, as from August 1st, 1964. The practice will continue as before from 95 Colmore Row, Birmingham 3, 60 Waterloo Road, Wolverhampton, and 54 Broad Street, Worcester.

MESSRS PRICE WATERHOUSE & Co (Rhodesian firm) and CAUSTON ROUSE & Co, announce that they have entered into an association as from July 1st, 1946, by which their respective practices will be conducted with identical partners, these comprising the present partners in the two firms. The associated practices will be conducted together in Salisbury, Bulawayo, Gwelo, Ndola and Francistown (Bechuanaland).

MESSRS PRICE WATERHOUSE & Co (South African firm) regret to announce the death of their partner, Mr E. E. CATTELL, M.A., F.C.A., C.A.(S.A.), who was resident in Cape Town. Mr J. W. VAN NIEKERK, C.A.(S.A.), a senior member of the staff, has been admitted to partnership and will be resident in Cape Town. Mr D. C. STEWART, a partner in CAUSTON ROUSE & Co, Rhodesia, has also been admitted to partnership.

MESSRS TANSLEY WITT & Co, of 22–24 Ely Place, London EC1, announce the establishment of their firm in South Africa in conjunction with MESSRS WHITELEY BROTHERS of Johannesburg. The head office will be at 221 Amcor House, 88 Marshall Street, Johannesburg. The partners are Messrs F. SEWELL BRAY, THOMAS KENNY and H. E. M. BARNES (London) and Messrs H. W. P. WHITELEY, S. D. LOW and R. E. GRIEVESON (Johannesburg).

Appointments

Mr H. Eden Smith, F.C.A., has been appointed vice-chairman of Alfred Bird & Sons Ltd.

Mr Neil Guthrie, A.C.A., has been appointed home sales director for the Winterbottom Book Cloth Co Ltd.

OBITUARY

Mr E. Harry Palmer, F.C.A.

We have learned with regret of the death at the age of 81 of Mr E. Harry Palmer, F.C.A., of Nottingham.

Admitted to membership of The Institute of Chartered Accountants in England and Wales in 1905, Mr Palmer was a former President of The Nottingham Society of Chartered Accountants. He took a considerable interest in the education of accountancy students and lectured on accountancy subjects and general commercial knowledge at Nottingham University and to the Nottingham Chartered Accountants' Students' Society.

Mr Palmer was made a Freeman of the City of London for work for the Framework Knitters' Guild.

ROLLS RAZOR LTD

Appointment of Inspectors

Following the statement by Mr Edward Heath, Secretary of State for Industry, Trade and Regional Development, in the House of Commons on July 23rd that an official inquiry would be made into Rolls Razor Ltd under section 165 (*b*) of the Companies Act, 1948, the Board of Trade have appointed Mr Morris Finer, Q.C., and Sir Henry Benson, C.B.E., F.C.A., as Inspectors to investigate the affairs of the company.

The company has already appointed an independent firm of chartered accountants, Messrs W. H. Cork, Gully & Co, to investigate and prepare a report for the creditors and shareholders.

DOUBLE TAXATION

United Kingdom and New Zealand

As a result of notice of termination given by the Government of New Zealand, the agreement for the avoidance of double taxation with respect to taxes on income between New Zealand and the United Kingdom, which was concluded in 1947, will cease to have effect from April next year.

The Government of New Zealand have proposed that negotiations for a fresh Double Taxation Agreement should be undertaken at an early date.

United Kingdom and Ceylon

The agreement for the avoidance of double taxation, with respect to taxes on income between Ceylon and the United Kingdom, which was concluded in 1950, will, as a result of notice of termination given by the Government of Ceylon, cease to have effect from April 1965.

The Government of Ceylon have indicated their willingness to enter into negotiations for a fresh agreement.

INLAND REVENUE: EXTRA-STATUTORY CONCESSION

Tithe redemption annuity paid by a trader

The following extra-statutory concession regarding tithe redemption annuity paid by a trader was announced by the Inland Revenue on July 27th.

Under section 31 of the Finance Act, 1963, five-sixths of a payment on account of a tithe redemption annuity is deductible from the income of the payer for the year of assessment in which it is payable.

Where a person pays tithe redemption annuity in respect of premises used for the purposes of his trade, profession or vocation, but his income is not sufficient to enable relief to be given in respect of the whole of the amount so deductible, the amount in respect of which relief cannot be given is treated as though it were a trading loss available for carry forward under section 342 of the Income Tax Act, 1952.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

New President of Birmingham Branch

Mr Frank Osborn, F.C.W.A., a director of BSA (Redditch) Ltd and chief accountant of the group's general engineering division, has been elected President of the Birmingham and District branch of The Institute of Cost and Works Accountants.

WIDER SHARE OWNERSHIP COUNCIL

The Wider Share Ownership Council's film on investment entitled 'Take a Share' has now been shown throughout the country since the autumn of last year to audiences from technical colleges, industrial companies, banks, investment clubs, students' societies and so on.

The film (16 mm. in colour) has a running time of seventeen minutes and covers such points as 'How to start an investment club' and 'How to find a stockbroker'; it also deals with unit trusts, investment trust companies and the problems of inflation. Apart from City and industrial scenes, the main story takes place in a social club – that of the Pyrene Fire Extinguisher Co Ltd at Brentford, Middlesex. Most of the problems confronting new investors are presented – and in a practical and entertaining way.

'Take a Share' is available at a hire fee of £1 from Sound Services Ltd, Wilton Crescent, Merton Park, London SW19.

BUSINESS EFFICIENCY EXHIBITION

This year's national Business Efficiency Exhibition, organized by the Business Equipment Trade Association, is to be held at Olympia, London, from October 6th to 14th. A wide range of office machinery and equipment designed to increase business efficiency will be displayed by over one hundred and fifty member firms of the Association.

POSTAL DISPUTE

Due to the recent pay dispute between the Postmaster-General and postal workers, acceptance and delivery of subscribers' copies of *The Accountant* has been very seriously affected and the late arrival of readers' copies – both at home and abroad – is very much regretted. The Post Office service returned to normal working this week, however, and we trust that readers will now be receiving *The Accountant* promptly.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Members' Library

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

Accounting for Depreciation and other related charges. (British Federation of Master Printers). 1964. (B.F.M.P., presented.)

Aspects et Problèmes de la Profession D'Expert Comptable. (Institut Français des Experts Comptables). Paris 1963. (I.F.E.C., presented.)

Business Data Processing and Programming; by R. H. Gregory and R. L. Van Horn. Belmont, California. 1963. (Wadsworth Publishing, 56*s*.)

Caer Rhun Hall Manual Part IIIA: Branch Accounts (by R. Anderson). 1964. [Loose-leaf]. (Anderson, 7*s* 6*d*.)

Capital, Output and Employment 1948–1960; (by R. Stone and G. Pyatt). Cambridge. 1964. (Department of Applied Economics, 21*s*.)

Companies: law and practice; by S. W. Magnus and M. Estrin: third edition, 1957. Second (cumulative) supplement 1964. (Butterworths, 63*s* and 22*s* 6*d*.)

Control Techniques for Office Efficiency; by E. V. Grillo. New York. 1963. (McGraw-Hill, 74*s*.)

Cost Control; by E. C. D. Evans. 1964. (Macdonald, 12*s* 6*d*.)

Economics and Sociology of Industry: a realistic analysis of development; by P. S. Florence, 1964. (C. A. Watts, 27*s* 6*d*.)

Federal Tax Handbook 1964. (Prentice-Hall). Englewood Cliffs, N.J. 1963. (Prentice-Hall, 12*s*.)

Income Tax for the Clergy: a practical guide; by Rev. J. E. Gilbert, F.C.A. 1962: First supplement 1963, second supplement 1964. (S.P.C.K., 9*s* 6*d*, presented.)

The Independence of the Treasurer; by G. C. Jones, F.C.A. 1964. (Institute of Municipal Treasurers and Accountants, presented.)

The Independent Retailer: how to buy, manage, and improve the smaller shop; by A. Fiber. 1964. (Heinemann, 35*s*, presented.)

Know Your Accounts: part I: theory and practice of retailers' accounts; by Marie Mellor. 1961: part II; by Marie Mellor. 1964. (Macdonald 12*s* 6*d* and 12*s* 6*d*.)

The Law of Clubs with a note on unincorporated associations; by J. F. Josling and L. Alexander. 1964. (Oyez Publications, 63*s*.)

Linear Programming: methods and cases; by T. H. Naylor and E. T. Byrne. Belmont, California. 1963. (Wadsworth Publishing, 24*s*.)

Local Government Reorganisation – some financial implications; by R. G. Morgan, F.S.A.A. 1964. (Institute of Municipal Treasurers and Accountants, presented.)

Management Accounting: a practical approach; by R. E. V. Duck and F. R. J. Jervis. 1964. (George G. Harrap, 18*s* 6*d*.)

Period Planning and Budgetary Control; by E. C. D. Evans. 1964. (Macdonald, 10*s* 6*d*.)

Power Behind the Screen: ownership, control and motivation in British commercial television; by C. Jenkins. 1961. (Macgibbon & Kee, 21*s*.)

Principles and Practice of Statistics; by C. J. Grohmann. 1964. (George G. Harrap, 22*s* 6*d*.)

A Programmed introduction to PERT. (Federal Electric Corporation). New York. 1963. (Wiley, 30*s*.)

Rating of Site Values: report on a pilot survey at Whitstable (Rating and Valuation Association). 1964. [Loose-leaf]. (R. & V. A., 63*s*.)

Records for Profitable Farming; by G. H. Camamile and T. W. D. Theophilus. 1964. (Hutchinson, 21*s*.)

Taxation of Co-operative Societies; by H. Hargreaves. 1964. (Co-operative Union, 10*s* 6*d*.)

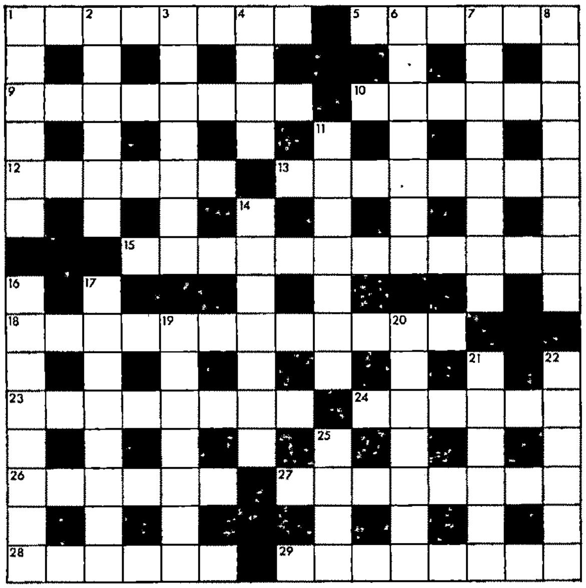
Techniques of Value Analysis and Engineering; by L. D. Miles. New York. 1961. (McGraw-Hill, 70*s*.)

GOLF

The annual match between the Chartered Accountants' Golfing Society and the Chartered Municipal Treasurers, was played at Camberley Heath Golf Club on July 15th, and resulted in a win for the Treasurers by the considerable margin of nine matches to one.

HOLIDAY CROSSWORD

Compiled by Kenneth Trickett, F.C.A.



CLUES ACROSS

1. Recommend a barrister in Scotland (8).
5. Restricts lots of shares (6).
9. Disorder in forces used in law pleading (8).
10. Self-balancing numeral systems (6).
12. Fit to notify? (6).
13. Disposed to injure a marriage settlement (8).
15. Featureless means of verifying, by the sound of it, orders for unspecified amounts (5, 7).
18. Extortionary activities always contracted in striking surroundings (12).
23. Party to note the front, I understand (8).
24. Weight brought from abroad (6).
26, 27. Student who took first place in mathematics was presumably an old hand in the debating society (6, 8).
28. Is included in the reserve fund to make opposition (6).
29. Was present and took notice (8).

CLUES DOWN

1. A fellow with just eleven (6).
2. Substantiate if very different (6).
3. Direct authority (7).
4. Limitation of inheritance (Chinese money, we hear) (4).
6. American document conferring authority to break the silence (7).
7. Concrete method of computation (8).
8, 17. Intermission gives an explanation of what are only for temporary entries (8, 8).
11. Business worry (7).
14. A copy of every balance sheet, including every document required by law to be ——— thereto . . . (section 158, Companies Act, 1948) (7).
16. He makes an offer in favour of a difficult question (8).
17. See 8.
19. One enters a form of twenty-two for those who superintend publication (7).
20. One proposed for election, or one disturbed about mine (7).
21. Subjected to a tax, a large number returned and went first (6).
22. Deposited rent in shillings and pence (6).
25. Legal document written in old-fashioned language (4).

The solution will be published in next week's issue.

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE ACCOUNTANT

ESTABLISHED 1874

AUGUST 8TH, 1964 VOL. CLI. NO. 4677

CONTENTS

Unjustified Delay

THREE times in the past three weeks has the need for company law reform been dramatically demonstrated. The first was the collapse of the Rolls Razor company; the second was the failure of a travel agency to honour its commitments; and the third was the announcement by the London Stock Exchange that dealings in the shares of three more companies had been suspended (making five now in this position[1]) pending inquiries into transactions over the last three months.

The uncertain gloom caused by this melancholy background of suspicion and distrust was not appreciably lightened by a written Parliamentary answer given right at the end of the session by the President of the Board of Trade. Asked to make a statement about the report of the Jenkins Committee on Company Law, Mr HEATH replied cautiously that the Government fully supported the general approach to company law on which the report had been based, although some of the implications of the recommendations would have to be further considered. He intimated that proposals for legislation would be introduced at an early stage in the life of the new Parliament.

This belated first acknowledgement of the Government's attitude towards the report as a whole since its publication more than two years ago is all very well as far as it goes, but it does not go far enough; nor has it come quickly enough. Bluntly, the Government has failed significantly to grasp the urgency of the situation. It is now suggested that the Conservatives will incorporate the whole question into their election campaign to modernize Britain and promote greater economic efficiency. This is a fine example, if ever there was one, of making a virtue out of a crying necessity. Further, the new Parliament may see a change of Government and this, in turn, would almost certainly mean a long reappraisal of the recommendations made by the Jenkins Committee to make the resultant Bill acceptable to the particular political convictions of its sponsors. All this – and the inevitable competition from the flood of other legislation which a new administration would presumably seek to enforce – would make for further delay.

It is frankly intolerable that mainly because of time-wasting party political squabbles – most of them engineered with an eye to the forthcoming election – which have disfigured the sorry Parliamentary year now ended, such measures as company law reform and the introduction of decimal currency (both essentially above party politics) should still be so far removed from the statute book.

[1] LATE NOTE. – As we go to press, dealing has been restored in the shares of four of these companies.

Bloodhound in Retrospect

IT is apparent from Sir JOHN LANG's clear report on the Ferranti Bloodhound missile contracts[1] that not only is the system of estimating costs and profits on certain kinds of Government contracts seriously wanting but that even the system as laid down has not been worked properly. There are therefore plenty of bits of wreckage lying around for critics, self-appointed and otherwise, to pick up and throw in the direction where the easiest or apparently most deserving target lies.

Hindsight, however, can be a dangerous exercise. It invites the reaction that everything must be put into reverse – everything must be tightened up and all the old suspicions on relations between Government and private enterprise must again be gone over. There is much talk about a tightening up of procedures; on vetting contracts within the Ministry of Aviation. But it is to be hoped that just because the Civil Service, or at least a small part of it, has been made to look rather ingenuous, a premium is not to be put on suspicion of private enterprise for its own sake.

Equally it is to be hoped that too much faith is not going to be put on new, and perhaps complicated, cost formulae. It is not likely that anyone is going to find the whole answer that way.

This particular uproar has been one example of failure in what is one of the largest areas of expenditure, namely, national defence – an item which takes, on conventional measurement, about 7 per cent of the national income and a section of the economy which plays a vital part in the home and export markets. The eddies of the Bloodhound case have incidentally still to swirl back from Bloodhound's customers abroad.

We can look forward to some interesting recommendations from Sir JOHN LANG in his second report when it becomes available. Meanwhile it is important to realize what has fundamentally gone wrong, quite apart from the personalities and organizations directly involved.

The Ferranti affair has been a failure of intercommunication, a failure to grasp the nature of the problem of intercommunication in an age of rapid technical change. The affair occurred in the electronics industry where the rate of change is perhaps at its fastest and most complicated. On one side of the negotiating table there has been full appreciation of the commercial risks attending rapid technical change. On the other side of the table there have been two groups of Civil Servants. One has been the Contracts Directorates of the Ministry, staffed by men of the executive and clerical grades, putting into practice crude rule-of-thumb checks; the other has been the Directorate of Accountancy Services with clear but limited terms of reference to check figures. Neither of these two groups has realized or apparently been told that the essence of control in management at a time of rapid technical advance is the closest co-operation of the technical and accountancy sides. Without such understanding working in any organization or group of organizations there will either be no control at all or a complete seizing of the engine through over-control depending on which of these two points of view gets the ascendancy. This is the first fundamental to get right.

The other is somehow to start at the level of the shop-floor. Sir JOHN LANG's report laid emphasis on five factors which led directly to the excessive profit on the Mark I Bloodhound. Three out of the five were concerned with the estimation of direct labour costs, one with the high overhead rate of 558 per cent and one with the decision to base prices on estimated costs at a late stage in the production programme when actual costs were becoming available, had the Ministry known it.

Doubtless more will be heard about the question of the high overhead rate which is written into these kinds of contract when the second report is published. Since the high overhead rate is a percentage of direct labour costs, it is an open invitation to disaster if the labour costs are badly estimated. Yet the direct labour costs for the forty Mark I Bloodhound production contracts came to only £1,305,000 (the estimate was £574,000) or only about 12 per cent of the total value of the contracts.

When one thinks of Civil Servants of executive grade carrying out the estimating procedures outlined in paragraph 15 of the first report in an industry like electronics for work which is not much beyond the development stage, and using

[1] First report of the Inquiry into the Pricing of Ministry of Aviation Contracts. (Cmnd. 2428.) H.M.S.O. Price 2s.

the data to arrive at 12 per cent of the final value of the contract, then multiplying it over five times, one shudders to think what might happen in something as complicated as the Polaris submarine contracts if such formulae are used.

In the case of the Bloodhound contracts, most of the trouble with the direct labour costs came from inflated estimates for fundamental repetitive operations. The Ministry's staff used the same time for an operation regardless of the frequency with which the operation was repeated. The report does not indicate where the original times were taken from. The point is, however, not so much that the times should have been adjusted for frequency of operation (that of itself is almost meaningless out of context) but that the times should have been checked. The muddle which came to light about the inclusion and omission of bonus payments shows how divorced from reality rates can become if they are accepted fourth or fifth hand and after a lapse of time.

The Bloodhound affair has shown the need not only for more sophisticated, efficiency-rewarding formulae on costs and prices in contracts, but for the collection of up-to-date data from the shop-floor and knowledge of the interaction of the technical and commercial issues in the industry concerned.

Income Tax Appeals and Accounts

by H. S. A. MACNAIR, F.C.A.

TWO questions which may be asked at the outset are: do the commissioners who hear appeals attach a significant value to a qualified accountant's report appended to accounts presented to them by way of evidence? and, to go to the other extreme, is the assistance of an accountant essential? To answer these, reference may be made to cases in which the Courts, while negativing the existence of any statutory duty to furnish audited accounts to support an income tax appeal, approved proceedings by commissioners in which such accounts were called for.

In *Hunt & Co v. Joly* (7 A.T.C. 245; 14 T.C. 165), the books of a partnership were kept in a special code of shorthand and the senior partner prepared statements in the usual form for submission to the Inspector of Taxes. These showed profits in the £2,000 range (1927 values) and a request by the inspector that, in view of the magnitude of the business, the accounts should be supported by a qualified accountant's certificate was declined on the grounds that the cost of engaging an accountant would be £50–£60, not to mention the inconvenience of the books being kept in his hands for at least a month.

Examination of Books

An estimated assessment became the subject of an appeal and the five General Commissioners for the New Forest who heard it were not satisfied with the accuracy of the accounts. They were invited by the partners to examine in detail the books, of which there were twelve, and to listen to explanations item by item if so desired. However, the commissioners turned down the proposal on the grounds that it would take them several weeks to effect the examination and that in the end they would be no nearer to a decision since, not being professionally qualified, they did not consider themselves to be in a position to act as accountants and auditors. They therefore confirmed the assessment subject to reconsideration if the partners should choose to put in audited accounts within two months.

In the High Court it was made abundantly clear that there is no general legal obligation to produce accounts audited by a qualified practitioner. At the same time, both the inspector and the commissioners were at liberty to entertain doubts and, in a particular case where the circumstances might make it appropriate to do so, to require that objections to the assessment should be substantiated by more evidence than had been made available in this instance.

The case of *Wall v. Cooper* (8 A.T.C. 239; 14 T.C. 552) concerned a dealer who in previous years had submitted to the inspector conflicting sets of accounts. At the hearing of the appeal against estimated assessments of £5,000 each (1926 values) the inspector drew attention not only to the discrepancies but also to recent asset disclosures not consistent with the alleged history of losses. The Special Commissioners regarded the available accounts as unsatisfactory but agreed to a four months' adjournment on the taxpayer undertaking to submit accounts certified by an accountant, who was to certify to their accuracy

subject to any necessary qualifications as to doubtful items.

Four months later it was stated that the accountant engaged had declined to complete the matter and a further two months were allowed without result. The Court of Appeal affirmed that the question was not a legal one as to whether certification could be demanded but a practical question of fact regarding the provision of an intelligible and accurate account in order to satisfy the commissioners, whose jurisdiction was not subject to review.

The Accountant's Certificate

However, the distinction between the accounting and auditing functions of a qualified practitioner is not always understood. It may be necessary at times to make clear to those not familiar with professional procedures that the accountant's 'certificate' (to use the popular expression) is not a guarantee of absolute accuracy but merely a statement confirming that the figures summarized above his signature represent a true and fair epitome of the very much larger number of entries contained in the accounting records and annexed vouchers (see in this connection a statement published by The Institute of Chartered Accountants in England and Wales on the limitations of certificates; *The Accountant*, August 15th, 1959).

Such a certificate differs materially from an audit report made in accordance with the requirements of a statute (or otherwise), since it contains an expression of opinion as to the general reliability of the records, whereas a certificate is confined to a factual statement making explicit reference to the sources utilized while giving little or no indication as to their quality (see Institute statement published in *The Accountant*, May 28th, 1955).

Proverbially, a silk purse from a sow's ear is not a practical proposition and by the same token an accountant's certificate cannot be used in an appeal to compel commissioners to accept results shown by a set of accounts if the sources from which they have been prepared are suspect.

In *Cain v. Schofield* (32 A.T.C. 208; 34 T.C. 362), the accountant's certificate read as follows:

> 'We have prepared the foregoing income and expenditure account and balance sheet from the . . . (itemized) books, bank accounts and receipted vouchers produced, together with information and explanations given by Mr T. Cain and hereby certify that they are a correct summary thereof.'

The commissioners for Doncaster were of the opinion that this wording was non-committal and in fact from correspondence between the accountants and the inspector it appeared that a credit of £842 for sundry receipts represented the balance on the cash reconciliation and thus depended for its accuracy on the amounts recorded as drawings. There were other factors also which led the commissioners to reject the evidence and, in particular, they stated that they did not believe that the taxpayer had submitted to his accountants a true record of his transactions.

Commissioners' Dissatisfaction

In the above cases it was essential to the decision of the Court that the commissioners should have been dissatisfied with the accounts produced to them and should have had reason for their dissatisfaction. A contrasting case is that of *Anderson v. Commissioners of Inland Revenue* (12 A.T.C. 619; 18 T.C. 320), where in an appeal against an assessment of £400 (1932 values) a trader had submitted a detailed trading and profit and loss account recording a profit of £233. This bore a certificate by his solicitors to the effect that the account had been prepared from the books which had been checked with the vouchers while the trader certified that the account disclosed a full statement of all business transactions.

The inspector's objection to the accounts lay in the fact that the depreciation written off in the balance sheet was not separately featured in the capital reconciliation (it was not debited to the profit and loss account) but was merged with the drawings of £276, thus casting doubt on the accuracy of this figure. It would seem that this was an instance of a type of case sometimes experienced where the inspector concerns himself unnecessarily with the question of an individual's private resources. At all events the Court of Session found his objection unintelligible. Indeed the Court was unable to find any motivation for the commissioners' rejection of the accounts, there being no mention in the case stated to the effect that the books were unreliable or that the agents had not prepared the accounts in the manner claimed, with the result that the case was sent back for reconsideration.

On the other hand, where records are defective and the information supplied to the inspector is clearly unreliable, an approach by reference to the cost of living may represent the only practical alternative. This was the position in *Jacobs v. Eavis* (35 A.T.C. 229; 36 T.C. 577), where the

inspector estimated weekly personal and household expenditure of a taxicab owner-driver and added to the resulting annual total the amount of the private cheques ascertained to have been drawn in the year of assessment, a basis upheld by the commissioners for Kingston.

It will be appreciated that an intention to submit accounts at a later date would not prevent the commissioners from adjudicating on an appeal set down for hearing. Thus, where agents had requested an adjournment of a number of appeals *en bloc*, the commissioners for Tindale Ward took note of the fact that in one instance (*Ridley v. Wilkinson* (37 A.T.C. 307; 38 T.C. 135)), the appeals in respect of three out of the four preceding years had been abandoned without accounts having been produced; while in the fourth instance, which concerned a loss, the inspector had not accepted the figures except in so far as he had agreed to reduce the relevant assessment to nil. For the year under review, the only information provided to date was a return stating the address where farming was carried on and the acreage. In these circumstances the commissioners decided not to grant an adjournment and they determined the appeal, although, being of the opinion from their knowledge of the district that the assessment of £600 (1956 values) was excessive, they reduced it to £450.

Local Knowledge

At the same time the use by commissioners of their own knowledge is not without its perils. In *Forest Side Properties (Chingford) Ltd v. Pearce* (40 A.T.C. 155; 39 T.C. 665), the position was considered of a company which acquired a block of properties from its shareholders in 1951 and sold about half a few years later. The board minute relating to the acquisition recorded a decision of the directors to hold the property as an investment, although the company's objects as stated in the memorandum referred only to development. In their case, the General Commissioners for Beacontree stated

> 'It is common knowledge that property realizes substantially better prices when sold with vacant possession. From our specialized knowledge we were aware that flats and maisonnettes at that time were not a good selling proposition locally. We accordingly found that the intention expressed in the minute, to hold the properties as an investment, was put on record with the taxation position in mind and was not intended to obtain when circumstances changed.'

The Court of Appeal gave consideration to the extent to which members of a local tribunal might make use of knowledge which had come to them personally as distinct from evidence led by the parties to the appeal. Lord Evershed explained that it was legitimate for such a tribunal to avail itself of its own knowledge of local conditions, e.g. availability of employment. It would be different, however, if one or other of the commissioners might have been himself, during the relevant period, concerned or engaged in business which gave him particular knowledge about the subject-matter of an appeal. Such knowledge could not fairly be called local knowledge, that is, knowledge generally in the possession of persons who were intelligently concerned in the relevant local affairs. In this case, however, the Court decided that the use of the term 'specialized knowledge' meant no more than acquaintance with selling conditions in the local property market and as it was legitimate to use this they made a decision that there was adequate evidence to support the commissioners' findings.

Conclusion

In conclusion it may be noted that, in a case where satisfactory accounts are unlikely to be forthcoming, it is doubtful if the taxpayer's interests are best served by an appeal against an estimated assessment. It appears from the case of *Rex v. Special Commissioners of Income Tax* (*ex parte Elmhirst*) (14 A.T.C. 511; 20 T.C. 381), that inaction compels the commissioners to finalize the assessment in the figures originally notified, whereas the giving of a notice of appeal sets in motion processes of investigation and reconsideration which could lead to the issue of precepts and the enforced disclosure of facts warranting a revision of the assessment to a higher figure. In consequence, where a practitioner's experience of his client's affairs gives reasonable ground for supposing that it will not be possible to produce satisfactory accounts, it may be suggested that it is his duty to consult with the client and, if appropriate, refrain from lodging an appeal.

It is true that if estimated assessments are not opposed the inspector is likely to increase his estimate in the following year, but until the stage is reached where the progressive increases in the tax actually payable have reached a level which induces the client to effect the necessary improvements in his record-keeping, the kindest course may be to leave well alone.

The Changing Pattern of Auditing
with Particular Reference to Private Companies — I

by G. N. HUNTER, J.P., F.C.A.

I The Significance of the Institute's first Statement on Auditing

IN a statute of 1285 it was enacted that the testimony of the auditors was sufficient to cause a person to be delivered into the nearest gaol. Although the auditors of 1285 could probably be more correctly identified as the forerunners of the modern district auditors, the idea has persisted until relatively modern times that practising accountants when acting as auditors are employed mainly to detect financial fraud, and their lot, like that of Gilbert's policemen, is not a happy one.

2. It was in 1960 when the last paper on auditing was presented to a summer course of the Institute. At the Oxford Summer Course in that year Mr D. D. Rae Smith, M.C., B.A., F.C.A., in his paper on 'Auditing: the purpose and its attainment' expressed his concern that many professional accountants seemed to regard the detection of fraud as the main purpose of an audit and to indulge in too much tedious detailed checking.

3. In August 1961, less than twelve months after Mr Rae Smith presented his paper but thirteen years after the Companies Act, 1948, came into force, the Council of the Institute issued for the guidance of members the first of a series of statements on auditing. This document entitled 'General principles of auditing' and issued for inclusion in the *Members' Handbook* as 'Statement U 1', provided great encouragement to those who considered that all practising chartered accountants engaged in auditing should adopt the changes in practice for which Mr Rae Smith had so eloquently pleaded in his paper.

4. In four major respects Statement U 1 seems to me to contrast with the old-fashioned view of auditing.

5. Firstly, in regard to the purposes of the audit: Statement U 1 asserts that the purpose of the work of auditors under the Companies Act, 1948, is to enable them to express an opinion as to whether the accounts give a true and fair view.

6. Secondly, in regard to fraud: Statement U 1 reminds auditors that there is nothing in the Companies Act, 1948, which specifically places a duty on them to search for schemes of fraud.

7. Thirdly, in regard to internal control: Statement U 1 emphasizes that it is the responsibility of directors of companies incorporated under the Companies Act, 1948, to ensure there is adequate internal control and that it is the duty of the auditors to make a critical review of the system of internal control.

8. Fourthly, in regard to the auditors' detailed checking: Statement U 1 urges auditors to reduce detailed checking to the minimum consistent with the system of internal control.

9. It has been said of the American case of *McKesson and Robbins* that it 'shocked the accounting profession in the United States from a complacent, lethargic position and forced the entire accounting profession to re-examine its auditing standards and to instigate a sweeping reform'. Would it be altogether unfair to claim that the issue of Statement U 1 should have had a similar effect upon the accountancy profession in England and Wales?

10. In May 1961, the then President of the Institute expressed the view that the projected series of statements on auditing could result in progress in auditing standards no less spectacular than the progress in standards of company accounting brought about by the publication nearly twenty years earlier of the Institute's recommendations on accounting principles.

11. From the standpoint of a partner in a firm in the provinces, I would venture the opinion that many of us in the profession have not yet taken the opportunity afforded by the issue of Statement U 1 fully to reappraise the auditing work in our practices.

12. Some may suggest that the usefulness of Statement U 1 is limited because it is related primarily to audits under the Companies Act, 1948. For my own part, I regard this limitation as helpful because the essential principles have been more clearly brought to the notice of the profession in that context than would have been the case if the statement had been expanded perhaps to inordinate length to cover all types of audit. Moreover, most of the

Mr G. N. Hunter, J.P., F.C.A., author of this paper, presented at the Oxford Summer Course of The Institute of Chartered Accountants in England and Wales on July 11th, is a partner in the firm of Theodore B. Jones & Co, Chartered Accountants, of Leeds. He was admitted to membership of the Institute in 1937.

major audits of all firms are probably audits of limited companies; and as the preamble to the statement emphasizes, many of the principles particularly in relation to audit procedure should be adaptable to other audits.

13. Others may assert that the Institute's statements are superfluous when reference can readily be made to the standard textbooks on auditing in order to obtain an indication of auditing trends. To that assertion I would reply that it is the Institute's statements, particularly Statement U 1, which have promoted the current changes in the pattern of auditing and which have rendered at least some of the textbooks out of date in material respects; for that reason a paper devoted to changes in the purpose and practice of auditing must in large measure consist of an examination of the salient points of Statement U 1 and of the other statements of the Institute which are relevant to audit procedures. Indeed many may find it a rewarding exercise to re-examine the extensive literature concerned directly or indirectly with auditing which is now to be found in the *Members' Handbook*.

14. It is appropriate when turning to study a statement of the Institute to recall that publication of a document on a technical subject by the Institute is only permitted if the substance of the document is approved by an overwhelming majority of the Council of the Institute. Moreover the final drafting of such documents is undertaken under the close supervision of the Parliamentary and Law Committee of the Council and usually earlier drafts have been prepared by subcommittees of the Institute's Technical Advisory Committee (formerly known as the Taxation and Research Committee) and examined by all the members of that committee and by the Regional Technical Advisory Committees attached to all the district societies. The statements of the Institute thus represent a distillation of the views of many chartered accountants, including some of the leading members of the profession in both London and the provinces.

II The Auditors' Opinion as to the True and Fair View shown by Accounts

15. Statement U 1 refers to the purpose of the audit in unequivocal terms thus:

> 'The purpose of the work of the auditors is to enable them to express an opinion as to whether the accounts presented to the members show a true and fair view. This purpose should govern their whole approach to the audit, the planning of their tests and the matters to be noted in the audit papers as the work proceeds.'

16. In former days the authorities relied on the auditors for testimony as to whether the accounts had been falsified. In modern times the shareholders rely on the auditors for testimony as to whether the accounts give a true and fair view. To the layman this may appear little more than a change in emphasis but to the professional accountant it is clear that the modern responsibility of auditors is much more onerous and requires much greater skill and judgement.

17. The requirement that the accounts shall give a true and fair view is the overriding requirement in the accounting provisions of the Companies Act, 1948. The word 'view' is significant and the fact that certain items which should otherwise be stated to conform with the Eighth Schedule need not be shown if not material is a reminder that the view should not be obscured by unnecessary detail.

18. Implicit in the use of the word 'view' is recognition of the need in certain instances to include in the accounts estimates for items such as depreciation and provisions which frequently cannot be calculated with absolute precision. It follows that the auditors must assess the reasonableness of such estimates. It follows also that the time is past when auditors are entitled to expect petty adjustments to be made to the accounts before signing their report; it is related that some years ago such finical accuracy caused one articled clerk to relinquish his articles, announcing he was going to train to be a dispensing chemist in the shop across the road belonging to chemists who announced on their window that they 'dispensed with accuracy'!

19. Statement U 1 in a succinct paragraph contains a formidable list of matters on which the auditors must pass judgement before expressing their opinion as to whether the accounts give a true and fair view. The auditors must be satsified that the accounts have been prepared on sound accounting principles consistent with those applied in the previous period and they must critically review the accounts in order to form an opinion on whether there is adequate disclosure of information, whether suitable descriptions are used, and whether a proper distinction is preserved between capital and revenue.

20. The Institute's recommendations on accounting principles are frequently of inestimable assistance to those seeking to ensure accounts give most satisfactorily a true and fair view. The relevant recommendations are:

- **N 9** Depreciation of fixed assets (issued 1945).
- **N 12** Rising price levels in relation to accounts (issued 1949).
- **N 15** Accounting in relation to changes in the purchasing power of money (issued 1952).
- **N 17** Events occurring after the balance sheet date (issued 1957).
- **N 18** Presentation of balance sheet and profit and loss account (issued 1958).
- **N 19** Treatment of income tax in accounts of companies (issued 1958).
- **N 20** Treatment of investments in the balance sheets of trading companies (issued 1958).
- **N 21** Retirement benefits (issued 1960).
- **N 22** Treatment of stock-in-trade and work in progress in financial accounts (issued 1960).

21. The Council's booklet on the Companies Act, 1948, the second edition of which was issued in 1952,

and now forms section **O 2** in the *Members' Handbook* and the notes **S 6** issued by the Council in 1962 on 'Terms used in published accounts of limited companies' both contain numerous helpful suggestions to facilitate the presentation of the true and fair view.

22. The Council has not yet issued a new recommendation to replace recommendation 7 on 'Disclosure of the financial position and results of subsidiary companies in the accounts of holding companies' which was issued in 1944 and which was rendered obsolete by the group accounts requirement of the Companies Act, 1948. The notes **S 1** prepared by the Taxation and Research Committee on 'Group accounts in the form of consolidated accounts' provide considerable assistance but the absence of an Institute recommendation on this topic is particularly disappointing because it could be expected to resolve many difficult problems which arise in discussions between directors and auditors on the presentation of group accounts.

23. It would perhaps be relevant to comment there is some indication that the more recent views of the Institute on accounting principles have not received the same degree of support as was accorded by directors of companies to the earlier accounting recommendations issued prior to the Companies Act, 1948. I have in mind for example the views expressed by the Council in recommendation **N 15**.

24. It must never be overlooked that the responsibility for the accounts of a company rests upon the directors. I suppose that in the majority of cases the directors and auditors readily agree upon the method of presenting the annual accounts but on occasions an auditor finds himself in the position of having to acknowledge that the method of presenting the accounts selected by the directors represents a true and fair view although in his opinion a true and fair view could be more satisfactorily presented by some other method.

25. Nevertheless there are occasions when a material difference of opinion between the directors and the auditors as to what is a true and fair view cannot be resolved. If in those circumstances the directors' method of presentation is finally adopted the auditors have of course an inescapable duty to report their opinion to the shareholders.

26. The importance attached to this duty was illustrated by the controversy in June 1963 over the proposal of the directors of the City of London Real Property Co Ltd to replace the auditors of that company by another firm as a result of a difference of opinion between the directors and the auditors over the method of presenting the accounts. This difference was in relation to the basis of valuation of a minority interest in a subsidiary acquired in exchange for the issue of shares in the City of London Real Property Co Ltd. Some may consider there was room for a difference of opinion on that technical point but when the directors' proposal to displace the auditors was published, the Institute promptly stated publicly that 'the purpose implicit in the appointment of auditors under the Companies Act would be defeated if there were to grow up a practice of displacing auditors whenever a disagreement between them and the directors of a company occurs on a matter of accounting principle'. The Association of Investment Trusts in recommending its members to vote against the proposed change of auditors stated that 'the essential independence of an auditor's position will be prejudiced if he is to face dismissal over a disagreement on such an issue'. The outcome of the controversy was that the directors' proposal to replace the auditors was withdrawn.

27. The Companies Act, 1948, clearly requires the same standards of presentation of the final accounts of all companies whether public or private, and there is of course no justification for accepting lower standards of presentation in the accounts of private companies even where the directors are the only shareholders.

28. In the case of private companies it often occurs that the final accounts include not only the balance sheet and profit and loss account but also a trading account and sometimes summaries of directors' current accounts and other supporting schedules. In my experience it is then not always clear whether or not the trading accounts, directors' current accounts and schedules have to be read as part of the statutory accounts in order to obtain the true and fair view referred to in the auditors' report. Although it is essential that the directors as such should study the trading account in conjunction with the profit and loss account and often it is necessary for the directors to approve summaries of their current accounts, I would submit that it is normally the best practice for the balance sheet and profit and loss account (with any relevant notes which form part of the accounts) of all private companies to fulfil completely in themselves without reference to the other detailed accounts the accounting requirements of the Companies Act, 1948.

29. Statement **U 1** refers to the instances where accountants acting as auditors draft for the directors the balance sheet and profit and loss account. In such instances it is important to avoid any misunderstanding as to the nature of the responsibility undertaken by the accountants outside their duties as auditors; and it is essential for the directors to appreciate that they cannot be absolved from their own statutory responsibility to comply with the accounting requirements of the Companies Act, 1948, and for the accountants to appreciate that their independence as auditors must be maintained.

III The Extent of the Auditors' Responsibility for the Discovery of Fraud

30. In the first of three paragraphs of fraud, Statement **U 1** indicates that irregularities in the affairs of a company may be (*a*) acts or defaults by an employee or a director which are committed without the knowledge of the board of directors, or (*b*) acts

or defaults by the directors which are designed to mislead or defraud the members, or (*c*) acts or defaults designed to defraud the Inland Revenue or other third parties.

31. It is then stated that such irregularities if material 'will normally be brought to light by sound audit procedures but there is nothing in the Companies Act, 1948, which specifically places a duty upon auditors to search for them or to examine the books and accounts with the object of discovering whether there have been defalcations or other irregularities by directors or employees of the company'.

32. Those chartered accountants who remember (and are there any who have forgotten?) studying in the days of their articles extracts from the famous judgment of Lord Justice Lopes in the *Kingston Cotton Mill* case (1896) will observe perhaps with a touch of nostalgia that the Council still relies on that judgment for guidance not only as to the degree of professional competence required of auditors but also as to their liability for tracking schemes of fraud; and auditors are reminded in a paraphrase of the time-honoured, although perhaps not the most elegant, sentence that if suspicions are aroused the circumstances should be probed to the bottom.

33. It would be inappropriate in this paper to attempt to comment on the legal considerations involved in a study of fraud in relation to audits. Members of the Institute will remember that guidance in regard to acts or defaults designed to defraud third parties has been given by the Council in its Statement **S 5** first issued in 1957 and entitled 'Unlawful acts or defaults by clients of members'. Nevertheless I feel that all practising accountants will be grateful for the three paragraphs in Statement **U 1** which put so clearly in perspective the responsibility in regard to fraud of the auditors of companies incorporated under the Companies Act, 1948.

34. When auditing was discussed at the Oxford Summer Courses in 1951 and 1954 the point was made that the experience of fraud of most firms is limited and the question was raised whether more reports on frauds which have been perpetrated could be published. In planning their work auditors must clearly give consideration to the possibility that a fraud if sufficiently material may affect their opinion of the true and fair view but possibly the comments on fraud in Statement **U 1** may have reduced any demand for what might have been alliteratively entitled 'an auditor's anthology of artifices'.

IV The Auditors' Assessment of Internal Control

35. Statement **U 1** leaves no room for doubt as to the directors' responsibility for those aspects of internal control which affect the company's financial accounts: 'The directors of every company, irrespective of its size, have a duty to ensure that there is a proper system of control over the transactions and records and that proper arrangements are made for safeguarding the company's assets'. It is therefore the responsibility of the directors to provide a system of control which will prevent acts or defaults by employees or bring about their early detection.

36. Statement **U 1** is equally emphatic that auditors must at the outset of the audit make a critical review of the internal control in so far as it is concerned with the recording of the company's transactions and the custody and control of its assets.

37. In order to assess the extent to which the system of internal control is effective in practice the auditors will require to have as part of their records an outline of the company's organization as well as a detailed record of its book-keeping system. Equally important will be a record of the responsibilities of the executive directors and staff and a record of the procedures adopted to ensure that the assets and funds of the company are kept under proper control, that income is accounted for, and that expenditure is authorized.

38. In the case of larger businesses the auditors may of course be assisted by the work of the internal auditor on the lines indicated in the Council's notes **S 3** on 'The relation of the internal audit to the statutory audit', which were issued in 1953. In those circumstances the auditors' records will include details of the internal audit programmes.

39. It will be noticed that a definition of a system of internal check which formed part of notes **S 3** has been repeated almost verbatim in Statement **U 1** as follows:

> 'The checks on the day-to-day transactions which operate continuously as part of the routine system whereby the work of one person is proved independently or is complementary to the work of another, the object being the prevention or early detection of errors and fraud; it includes matters such as the delegation and allocation of authority and the division of work, the method of recording transactions and the use of independently ascertained totals against which a large number of individual items can be proved.'

40. For my own part I am inclined to regret the perpetuation of this definition because it suggests there is technically a greater distinction between internal check and internal control than normally exists in practice. Nevertheless the definition serves as a convenient reminder of several aspects of the system of internal control which the auditors will wish to record. Particularly it is desirable to record the extent of the control achieved through division of duties and responsibilities so that no material transactions are left completely in the hands of one person.

41. In practice a comprehensive internal control questionnaire, known in many offices as an I.C.Q., is probably the most frequently used method of recording for the auditors' permanent notes the system of internal control.

42. The subject of internal control was discussed in considerable detail in Mr D. D. Rae Smith's paper and I cannot do better than to quote Mr Rae Smith's description of an I.C.Q. as follows:

'Such a questionnaire may consist of several sections, each being devoted to one of the usual major accounting activities of a business – such as cash receipts, cash payments, sales and debtors, purchases and creditors, stocks, payrolls, property, securities, etc. Each section will contain questions relating to the more important functions of the activity concerned, and it can be helpful if these questions are supplemented, wherever necessary, by short explanatory comments indicating the more usual means of obtaining effective control over various functions and records in order to emphasize the significance of the questions asked. Sufficient space must be provided for recording answers to the questions asked and for such other comment as the auditor may think fit to make. When recording his answers the auditor should remember that it can often be easier to explain some aspects of a system of control by flow charts than by a rambling narrative. To facilitate assessment of the system as a whole, the questionnaire should also contain a separate sheet on which the situation disclosed by each section can be summarized.'

43. For example a section of an I.C.Q. dealing with purchases and creditors might include questions about ordering (e.g. the requisitioning procedure, the authorization of purchases, and the preparation of order forms) about goods inward (e.g. the checking of quantity and quality of goods received, the procedures for recording the acceptance of goods and for recording returns) and about purchases accounting (e.g. the checking of suppliers' invoices with goods received records and with orders, the checking of calculations, the procedure for recording purchases and purchase returns and for allocating expenditure, the procedure for maintaining purchase ledgers and checking with suppliers' statements and authorizing payment).

44. As a further example, a section of an I.C.Q. dealing with fixed assets might include questions about the procedures for authorizing acquisition and realization, for keeping registers of property and plant and for checking those registers with the actual assets and reconciling them with the relevant nominal ledger accounts, and for the determination and calculation of depreciation.

45. I.C.Q. records should normally be brought up to date each year. Frequently it will be found that the I.C.Q. record can be most satisfactorily maintained if it includes the names of the staff responsible for the relative functions during the year under review. In this respect it is important that the auditors' inquiries are directed towards ascertaining that each member of the staff concerned understands his responsibility, is competent to discharge his responsibility, and is not in practice neglecting his responsibility.

46. Having ascertained the extent of the system of internal control maintained during the year, it is necessary for the auditors to form their opinion whether the system is adequate for the present circumstances of the business and whether it is being fully and effectively operated by the management.

47. Some problems arising in the audit of mechanized accounting systems were reviewed in a report of a subcommittee of the Taxation and Research Committee issued in 1949; and some notes on accounting by electronic methods (including notes on auditing problems) were subsequently published by the Council. Both these statements, which are reproduced as sections **T 1** and **T 2** respectively in the *Members' Handbook*, draw attention to the importance of ensuring the system of internal control is not impaired when mechanized accounting is introduced and make it clear that the introduction of mechanized accounting in no way affects the standards by which the effectiveness of the system of internal control is to be assessed.

48. If the auditors find the system of internal control inadequate in material respects they should advise, preferably in writing, a director or senior official of the company. In addition, the auditors must decide the extent to which additional tests should be made, perhaps at the expense of the company, to check the records, with the object of avoiding a qualification in their report to the shareholders. 'In exceptional cases', it is stated in Statement **U 1** 'auditors may find that the records and the system of internal control are so seriously inadequate that no useful purpose could be served by embarking upon extensive detailed checking, because even the most exhaustive tests would not enable them to form an opinion on the balance sheet and profit and loss account. In that event their appropriate course will be to report to that effect to the shareholders and to inform the directors of the respects in which the records and systems are deficient.'

V The Elimination of Unnecessary Detailed Checking

49. In no circumstances can detailed checking by the auditors be an economical or effective substitute for an adequate system of internal control and perhaps the most welcome of all the advice in Statement **U 1** is the recommendation to auditors to reduce their detailed checking to a minimum consistent with the system of internal control and the state in which they find the records.

50. Over twenty-five years ago when I was newly-qualified I had occasion to ask a leading member of the profession why it was considered necessary to check all the casts in the bank column of the cash-book after it had been exhaustively checked and proved with the bank pass book. My mentor (probably guessing that my reason for the question was my ineptitude at additions) agreed that checking the casts in the cash-book was frequently no more than a formality but to illustrate why it was considered necessary he suggested I should imagine myself having to give evidence regarding the audit in a

Court of law and finding myself confronted by Counsel for the prosecution saying to me: 'And do you mean to tell the court that you claim to have carried out an adequate audit when you have omitted to perform such an elementary audit procedure as checking additions in the cash-book?'

51. It is probably true that no chartered accountant can give of his best if he has continually in mind the possibility of his services being criticized in a Court of law but when it was announced in 1958 that the Council proposed to issue statements on auditing, some members of the Institute were anxious lest the statements when published should recommend an increase in the auditors' duties and might be quoted as authoritative statements in Court to indicate the extent to which an auditor should have extended his work to conform to modern practice. All auditors who harboured such anxieties must have been relieved to find in the statement support from the Council for the view that unnecessary expenditure of time on the massive vouching of routine transactions and extensive checking at postings and additions should be avoided, although it is specifically stated that the Council's object in issuing Statement **U 1** is not to define the liability in law for auditors who fail to discharge their duties.

52. Perhaps many firms would be prepared to admit that in the past detailed audit checking has been undertaken as a routine exercise by audit clerks with a mechanical approach to their work, like an insurance clerk who on filing a certificate that an elderly annuitant was living at April 5th, 1963, was concerned to find there was no corresponding certificate at April 5th, 1962, and accordingly wrote to the annuitant for the certificate for the earlier year!

53. The elimination of much of the detailed checking involves the exercise of considerable professional skill throughout the audit and having ascertained the extent of the system of internal control, the auditors must next adjudicate as to the extent of the tests to be applied with a view to verifying that the system of internal control is being effectively operated.

54. Statement **U 1** emphasizes the importance of including among the audit tests examinations in depth. It is explained that 'examination in depth involves tracing a transaction through its various stages from origin to conclusion, examining at each stage to an appropriate extent the vouchers, records and authorities relating to that stage and observing the incidence of internal check and delegated authority'.

55. The process is illustrated in Statement **U 1** by detailing some of the documents examined to verify a payment to a creditor for goods supplied.

56. In regard to wages, examination in depth might involve not only a comparison of the wages sheets with national insurance cards, P.A.Y.E. records, and any available evidence that the employees concerned have in fact received their wages, but also might include comparison of the wages of a small number of individual employees with such records as clock cards, job cards, schedules of wages rates, employees' record cards showing grades, and written authorities for the engagement of workmen.

57. As regards sales and debtors, it seems the practice of auditors circularizing debtors is still not usual in this country and probably most auditors consider it is satisfactory to rely on the safeguards incorporated in the system of internal control provided examination in depth indicates the system of internal control is effective.

58. Many auditors must have been encouraged to learn from Statement **U 1** that the Council commends as good practice the procedure of selecting each year, in addition to undertaking normal audit examinations in that year, one of the main aspects of the business for a more intensive review.

VI The Nature of Internal Control in Private Companies

59. The view is sometimes expressed that the pronouncements of the Council, whilst applicable to major public companies, have little practical application to 'one-man' private companies. Those who hold this view may also consider that internal control whilst relevant in planning systems for large businesses has little relevance to small businesses. The text of Statement **U 1** affords no support for either of those points of view.

60. Whether a company is large or small the directors have the responsibility of ensuring there is a proper control over its transactions, records and assets.

61. Nearly all chartered accountants will have in mind numerous instances where the day-to-day business of a private company is supervised entirely by a director who has a controlling interest in the company. In such circumstances frequently the director himself exercises almost the whole of the internal control; it is he who will be able to ensure that credit sales are properly invoiced, debts duly collected, wages and cash outgoings correctly paid, payments to creditors properly verified, and that cash takings are properly recorded in the till.

62. It is just as important that the auditor should critically review the internal control in the case of smaller companies, even 'one-man' companies, as in the case of larger companies. Indeed the need for the auditors to give advice in regard to the internal control is often greater in the case of private companies. Particularly is this important when a small business is in the early stage of growth towards becoming a larger concern; it is when close personal supervision of all the transactions is becoming impracticable that a proprietor of a business may overlook the necessity to allocate duties between the members of the staff so as to create a system of internal control.

63. Another situation which frequently calls for

assistance from the auditors in regard to internal control exists where the sole manager of the business of a private company is not a major shareholder but occupies a position of trust in relation to those who own the majority shareholding. In those circumstances the accountants who act as auditors may be requested to supplement the internal control by undertaking frequent checks of financial transactions during the year; if the accountants accept additional responsibilities in that way, there should be no misunderstanding as to the extent the directors, in discharging their own responsibilities, are relying upon the accountants.

64. An additional problem confronting the auditors of some 'one-man' private companies is the lack of appreciation on the part of the director-shareholder of the fact that he should not dispose of the company's assets without making any record. However, Statement U 1 advises that 'for a small company the tests which the auditors make will normally cover a greater proportion of the transactions than is necessary for a larger company where a more comprehensive system of control can be and is operated. In selecting items for examination and deciding upon the extent of the work to be done the auditors should always consider to what extent the transactions under review are material in relation to the affairs of the company as a whole'. (*To be concluded.*)

Weekly Notes

MUNICIPAL TREASURERS' EXAMINATIONS

A TOTAL of 1,415 candidates sat for the May examinations of The Institute of Municipal Treasurers and Accountants and 483 (34 per cent) were successful.

In Part A of the Final, there were 399 candidates, of whom 130 (33 per cent) passed, compared with 133 successful candidates (37 per cent) in the November 1963 examination. In Part B there were 298 candidates, of whom 134 (45 per cent) were successful; in the November 1963 examination 99 (46 per cent) passed.

A total of 718 candidates sat for the Intermediate and 219 (31 per cent) passed, compared with 157 (32 per cent) last November.

Places and prizes will be awarded on the combined results of these examinations and those to be held next November. The names of the successful candidates in the two parts of the Final examination, together with a summary of the results, appear elsewhere in this issue.

INSTITUTES GRANTED AN INJUNCTION

THE Institute of Chartered Accountants in England and Wales and the Scottish and Irish Institutes were granted an injunction in the High Court last week restraining Mr Ronald Stuart Nicklin from describing himself as a chartered accountant in connection with his business at The Square, Wimborne, Dorset.

Mr F. P. Neill, for the plaintiffs, told Mr Justice Gorman that Mr Nicklin was a member of the English Institute from 1929 to 1963 when he was excluded by a decision of the Disciplinary Committee.

'Thereupon he ceased to be entitled to describe himself as a chartered accountant,' said Mr Neill. 'Nevertheless he has gone on describing himself as such in connection with his business.'

The injunction was to restrain him from describing himself as a chartered accountant on a name-plate, in windows, in letter headings or correspondence.

Mr Nicklin did not appear at the hearing and was not represented.

BONUS DEBENTURE REDEMPTION TAXABLE

THE precise ambit of that perennial headache, section 28 of the Finance Act, 1960, is notoriously vague, since it is a kind of general sweep-up anti-dividend-stripping section. However, it has been generally assumed that one type of case which is plainly within the mischief of the section is the device of issuing bonus debentures and then redeeming them. That the section does in fact hit such a case has now been judicially established in *C.I.R. v. Parker*, according to *The Times* of July 31st.

Very briefly, it may be said that section 28 provides that where, in any of a number of circumstances set out in the section and in consequence of one or more transactions in 'securities' (which are widely defined), a person is in a position to obtain, or has obtained, a tax advantage, then the Revenue may counteract the advantage in various ways, including the raising of assessments.

Parker Shoes Ltd had at all material times an issued capital of £35,002 in £1 Ordinary shares. The credit balance to profit and loss account on December 31st, 1952, was £69,914, representing accumulated taxed profits. In 1953, after suitably altering its articles, the company applied £35,002 of these accumulated profits in paying up £35,002 of bonus debenture and issuing them to the then shareholders, including the respondent Mr Parker. The conditions of issue gave the company power to pay off the debentures at any time after the death of the registered holder, or seven years after the date of issue, subject to six months'

notice. The debentures carried no interest and did not impose any charge on the company's assets.

On July 14th, 1960, the company gave notice of redemption to Mr Parker, and his debenture was duly redeemed on January 14th, 1961. The Revenue took action against him under section 28 (3) of the Act and he appealed to the Special Commissioners who decided, in his favour, that the capitalization and subsequent redemption. were not within section 28. The Revenue have now successfully appealed against that decision of the Special Commissioners.

Ungoed-Thomas, J., giving judgment in the High Court, said that the debentures were 'securities' within the meaning of the section. Furthermore, the bonus issue of the debentures constituted a transaction in securities, as did their subsequent redemption. The first transaction took place in 1953 the second in 1961. On the second transaction, Mr Parker received money from the company. In his lordship's view that was plainly a transaction within the section, which brought a tax advantage within the section, and which should be countered by an assessment or additional assessment to surtax. Mr Parker must pay the costs.

SOLICITORS NOT ENTITLED TO THE INTEREST ON CLIENTS' MONEY

IN dismissing a claim by a solicitor to earned income relief on interest on clients' money which he had retained, the House of Lords has established that the interest does not belong to the solicitor at all.

Mr Charles G. Brown, practising as a solicitor under the firm name of Burnett & Reid, advocates, at 12 Golden Square, Aberdeen, appealed against the Court of Sessions' decision that he was not entitled to earned income relief on certain sums of interest received by him. His firm carried on business not only as advocate but also as a factor of some large estates, receiving considerable sums on behalf of clients. These sums Mr Brown properly paid into his client's current account at the bank. In certain cases the sums would be invested or put on deposit receipt. Apart from that, his practice was that when the clients' current account exceeded £5,000, he placed that sum on deposit in the firm name and appropriated the interest. The firm also lent money to other clients, at interest. It paid interest at a lower rate to clients who deposited money with the firm. Mr Brown claimed that interest coming into the firm was part of the professional profits and was accordingly earned income ranking for earned income relief.

Giving the first opinion, Lord Reid said the first question was whether the interest (which amounted to nearly £6,000 over four years) ever belonged to the appellant. If not, it could not be his income and the question whether it was earned or unearned did not arise. The general principle was well settled; a solicitor had a fiduciary duty to his clients. He 'shall not take any secret remuneration or any financial benefit not authorized by the law or by his contract, or by the trust deed under which he acts, as the case may be' (*Dale v. C.I.R.* (32 A.T.C. 294, 296)). If he did gain a financial benefit, he could not keep it unless he could show his authority for doing so.

This interest was obtained by using the clients' money. Perhaps it could not have been earned except by aggregating the money of several clients. But that did not make any difference in law, though it might remove any possible suggestion that the solicitor was simply appropriating for himself money which he could and should have credited to his clients. In view of the difficulty of determining with any accuracy what share of the interest should be credited to a particular client, it might be that no interest would be obtained and the only gainer would be the bank.

The Appeal Commissioners had accepted the evidence of an accountant employed by the Law Society that the appellant's practice with regard to interest was fairly common, but by no means universal. The appellant relied on a passage in the report of the Council of the Law Society of Scotland for 1951 that, in the relevant circumstances 'the solicitor is entitled to the interest in the form of a general charge for the work involved in keeping the clients' banking accounts'. That opinion negatived any possible suggestion of professional malpractices by the appellant or any other solicitor who had acted in accordance with it. But it had not been argued that the opinion had any binding force, and his lordship did not think it could be supported in law.

The difficulty of discovering who was the owner could not make the money the property of the solicitor. His lordship was aware of no authority for making a general or collective charge against clients. On the findings of the Appeal Commissioners the appellant could not rely on any express or implied agreement with his clients that he should retain the interest. There was therefore no ground on which it could be held that the interest ever became the property of the appellant.

The other learned law lords concurred in dismissing Mr Brown's appeal.

RECONSTRUCTION OF STAMP DUTY

PROBABLY the longest section in the Stamp Duty Acts is section 55 of the Finance Act, 1927, which in a most guarded manner provides for exemption from stamp duty in the case of reconstructions and amalgamations, but only where certain searching conditions have been satisfied. That this section is construed very strictly against the taxpayer is emphasized by the number of cases where the courts have upheld the Revenue's refusal to grant the exemption owing to a seemingly trivial failure to obey the precise letter of the section.

One condition is that where a company acquires the issued capital (or not less than 90 per cent of it) of another company, then the consideration shall consist 'as to not less than 90 per cent thereof' of

the issue of shares of the acquiring company. The construction of this requirement was the subject of litigation in the High Court last week in *Central and District Properties Ltd v. C.I.R.* and reported in *The Times* of August 1st.

In July 1958 the appellant ('the company') proposed to amalgamate with Unicos Property Corporation Ltd ('Unicos'), by acquiring all the issued shares of Unicos. The company offered its own shares (together with cash in some ceses) in return for the shares in Unicos. The total offer was over £5 million, of which over 90 per cent was in shares, the balance being in cash.

The offer was conditional on its acceptance by a specified proportion of Unicos shareholders by a specified date. At the same time it was arranged that a finance house, Leadenhall Investments & Finance Co Ltd, should offer over one million £1 shares in the company to the Unicos preference shareholders by way of negotiable letters, at a price which was some 4*s* 3*d* less per share than the current market price. Leadenhall's offer was made to all the Unicos preference shareholders, whether or not they accepted the company's offer, but Leadenhall's offer was conditional on the company's offer becoming unconditional.

On August 18th, 1958, the necessary acceptances of the company's offer were obtained from Unicos shareholders, and on the same day Leadenhall sent the negotiable letters to the Unicos preference shareholders. If the negotiable letters could be said to form part of the consideration for the acquisition by the company of the Unicos shares, then the consideration offered in a form other than the issue of shares in the company would amount to more than 10 per cent of the total consideration. The condition would not be satisfied and some £100,000 stamp duty would be payable. The Revenue refused the exemption.

In the High Court, Ungoed-Thomas, J., said that having perused all the documents sent to the Unicos shareholders and containing the offers by the company and by Leadenhall, he was of opinion that on the true construction of those documents there was no promise by the company that Leadenhall would make its offer. The appeal succeeded, and the stamp duty chargeable was nil.

TAX ON FILM STAR'S COMPANY

THE Inland Revenue have won the second round in their dispute with the company which until 1951 disposed of the services of Mr John Mills, the film actor. The company, John Mills Productions Ltd, was formed in 1947 to exploit Mr Mills's services. On June 23rd in that year it entered into an agreement with him for his exclusive services as star and director for fourteen years. On the same day the company, Mr Mills and J. Arthur Rank (Production) Ltd ('Ranks') entered into an agreement that Ranks should have Mr Mills's exclusive services for the first seven of the fourteen years. In 1951 that agreement was cancelled in consideration of £50,000 paid by Ranks to the company. About the same time the company went into liquidation. The Inland Revenue assessed the company on the footing that the £50,000 was a trading receipt, and were upheld by the Special Commissioners.

Giving judgment on the company's appeal to the High Court last week, Ungoed-Thomas, J., said, as reported in *The Times* of July 28th, that there were two questions, i.e. was the £50,000 a capital payment? and if not, did it accrue after the company had discontinued its trade? To establish that the payment was capital, the company would have to show that the cancellation materially crippled the whole structure of the company. It had been frankly admitted that the company was a tax-saving device. The contract was merely a disposal contract, disposing of Mr Mills's services. Despite its size, the cancellation of that contract did not affect the profit-making structure of the company. Therefore the Crown succeeded in its argument that the £50,000 was not a capital receipt, but a trading receipt.

On the second point, as to whether the receipt accrued while the trade was in existence, it appeared that on February 27th, 1951, the company had passed a winding-up resolution and a liquidator had been appointed. His lordship said that there was no foundation for the Special Commissioners' finding that the company's trade continued after that date. They had found that an oral contract for the cancellation had been made on January 19th, 1951, before the liquidation. They had also found that there was a written contract dated March 22nd, 1951, providing for the cancellation with effect from January 16th, 1951. The payment was made on March 29th, 1951. The two findings appeared to be inconsistent. The case would accordingly be remitted to the Special Commissioners to say on what date the cancellation contract was made and on what facts they based this finding. Costs would be reserved.

PORT OF LONDON PURSUES 'ROCHDALE'

ON August 31st, the Port of London Authority is increasing its rates and charges and, announcing the increase, Lord Simon, P.L.A.'s chairman, said it was expected to be necessary to make further increases in the next year or two.

One of the main reasons for the increases is the endeavour to reach the position recommended in the Rochdale Report – the replacement of assets out of revenue. Within a period of three years the P.L.A. hopes to increase its revenue to the point where the Rochdale recommendation that accounts should be drawn up on a replacement instead of historical cost basis can be reached.

The P.L.A. accounts for the year to March 31st, 1964, show a net revenue of £1,100,000 against £957,000, but accounting on the Rochdale basis would have produced a deficit of £976,000. Although

'Rochdale' is one of the main reasons for the decision to increase rates and charges, rising costs and fresh pay claims provide the main financial force.

Lord Simon did not consider that higher charges – which range from 9 per cent to 20 per cent in various categories but do not apply to port rates – would not necessarily divert traffic to other ports because others, too, would probably be raising their rates.

Over the next six years the P.L.A. plans to spend £40 million on modernization and development and about half that amount is likely to be borrowed in the City. The Rochdale Report, it may be added, recommended that there should be no provision for loan redemption.

This is My Life . . .

by An Industrious Accountant

CHAPTER 236

LEAFING through an old copy of *Munro's Book-keeping and Accounting*, I came across a joint account – one of those easier examples of profit-sharing designed to teach basic principles to the young student. It made me wonder what used to happen in the profit-sharing of the early days. When the Elizabethan merchant-adventurers fitted out an argosy to trade down to Africa for ivory, or a privateer to raid the treasure fleet returning from the Indies, how did they split the loot? When they sacked some stately Spanish galleon coming from the Isthmus, as Masefield wrote,

'With its cargo of diamonds,
Emeralds, amethysts,
Topazes, and cinnamon, and gold moidores',

what book-keeping principles governed the division of the spoils?

Strict accounting must have been necessary. There were taxes and levies and tithes to pay. If Queen Bess was a partner, she exacted her share in return, her hawkeyed Commissioners boarding the returning vessel even before it berthed to assess the wealth apportionable. If the London merchants had contributed to the cost, they wanted their pound of flesh in return. How did they reckon it?

I looked up a book detailing some of the exploits of Sir Francis Drake, to illustrate the point. On one particular voyage from Plymouth in 1587, he had four of his own ships, a galleon and a pinnace from the Lord Admiral, four galleons and two pinnaces from the Queen, and as many more ships as he could get from the London merchants. But while the book describes the cruise in detail, it tells nothing of the division of profits. For all the proud traditions of a seafaring race, they're woefully short of financial records.

I suppose the gross takings in bullion and tonnage were charged with the costs of stores and provisions, saltfish and biscuits, halfpikes and corselets. Next must have come replacements of sails and rigging, and of ships lost to tempest or culverin fire. I wonder if these were accrued at first cost or at replacement value; a moot point in wartime when a fast frigate more or less might save a battle.

Cost-plus contracts were naturally complicated by the contemporary wages system. Casualty-lists in those days were always understated, since each captain could claim as an expense the pay and victuals of every seaman listed (at about fourteen shillings per month), plus prize-money. Dead men were obviously profitable and presented an opportunity not to be missed by a freebooter. Even the Queen's Counsellor, Lord William Cecil Burghley, wrote in wrathful recognition of the unceasing malpractice: 'the men are dead, but not the pay'. Accountants will recognize the time-worn swindle.

And a year later, when eight flaring fireships sailed into Calais harbour to scatter the sheltering Armada, their cost was (naturally) debited back to the Admiralty. They were loaded with inflammable straw and tar and gunpowder . . . but it is on record that one debit included a load of ship's stores, butter, beef and biscuits, left aboard (it was claimed) in the confusion and destroyed. The comments of the long-suffering Queen's Commissioners are not recorded.

Of course, going shares with Drake must have been a speculator's dream. Remember the great forty-six gun Armada flagship, *Nuestra Senora del Rosario*, crippled and wallowing, which Howard left untouched as his fleet passed, forbidding his captains to attack lest he weaken his array. That night Drake went astray in the dark (his ingeniously plausible alibi was a masterpiece) and found himself at dawn beside the *Rosario*. An amazing coincidence, he admitted cheerfully. El Capitan Don Pedro promptly surrendered and the prize was escorted to Tor Bay forthwith, a rich reward for opportunism. Its treasure chest contained fifty-five thousand ducats (so much at least was admitted) – a pleasant little bonus to add to the dividend of the capture. Division of the booty led to a quarrel with Frobisher, who offered to fight Drake in his shirt, and some acrimonious exchanges followed.

Sir John Hawkins wrote sadly to the Queen's Secretary, Sir Francis Walsingham: 'I would to God I were delivered of the dealing for money. . . . My pain and misery in this dealing is infinite.' Obviously the services of an accountant aboard ship were sadly missed by Elizabeth's seadogs.

Finance and Commerce

Coalite and Chemical

THE layout of the accounts of Coalite and Chemical Products Ltd has been modernized this year. The new form is indicated within practical limits in this week's reprint.

'The changes', Commander Colin Buist, the chairman, says, 'include many of the suggestions of the Jenkins Committee and have the approval of our auditors.' In the original, the accounts are on a quarto opening with the accounts themselves to the left of the opening and the relevant notes to the right.

One of the quieter revolutions in account presentation is this movement towards putting the notes into direct relationship to the figures, a move which makes for considerably easier reading. It obviates the turning forward and turning back for reference entailed when the profit and loss account and the two balance sheets are placed consecutively with the notes *en bloc* on following pages.

A point which may be made on the Coalite presentation is the familiar one which arises in columnar form presentation. The lack of or wrong emphasis on totals.

Full Stop

In the Coalite balance sheet there is a double underlining after the capital employed total of £6,255,499, the key total of the balance sheet. In employment of capital there is also a double rule under the total fixed assets item of £4,276,613. To the lay reader of the accounts double underlining might be construed in the same way as a full stop.

It may take time for him to grasp the point that to the total fixed assets there has to be added the difference between current assets and current liabilities. To omit the double underlining of the total fixed assets figure and then shift current assets

COALITE AND CHEMICAL PRODUCTS LIMITED AND SUBSIDIARIES

Consolidated Profit and Loss Account

for the Year ended 31st March, 1964

	1964 £	*1963 £*
Trading Profit of the Group (note 1)	1,375,897	*1,168,210*
Taxation (note 2)	608,364	*499,502*
Profit of the Group after Taxation	767,533	*668,708*
Dividends, *less* **Income Tax** (note 3)	283,524	*248,082*
Retained Profit for the year (note 4)	£484,009	*£420,626*

Notes on the Consolidated Profit and Loss Account

	1964 £	1963 £
1. **Trading profit of the group** is after adding:		
Income from short term investments	£22,439	£28,105
Interest on tax reserve certificates	—	£20,699
and after charging:		
Depreciation	£396,870	£344,590
Auditors' remuneration	£1,459	£1,166
Directors' remuneration:		
Fees	3,645	3,300
Other emoluments	37,092	37,231
Pension to widow of director	400	400
	£41,137	£40,931
2. **Taxation** based on the profit for the year after taking into account a benefit of £151,000 (1963 £132,000) arising from Investment Allowances:		
Income tax	377,305	339,811
Profits tax	171,059	143,691
	548,364	483,502
Tax deferred by capital allowances	60,000	16,000
	£608,364	£499,502
3. **Dividends,** *less* **income tax**		
Interim 5% (1963 5%)	88,599	88,599
Proposed Final 11% (1963 9%)	194,925	159,483
Total 16% (1963 14%)	£283,524	£248,082
4. **Retained profit for the year**		
Holding Company	471,368	414,362
Subsidiaries	12,641	6,264
	£484,009	£420,626

COALITE AND CHEMICAL PRODUCTS LIMITED AND SUBSIDIARIES

Consolidated Balance Sheet 31st March, 1964

	1964 £	1963 £
CAPITAL EMPLOYED		
Stockholders		
Issued ordinary stock of holding company	2,893,125	2,893,125
Capital reserve	54,000	54,000
Revenue reserves (note 1)	2,736,874	2,252,865
	5,683,999	5,199,990
Future taxation (note 2)	571,500	471,200
	£6,255,499	£5,671,190
EMPLOYMENT OF CAPITAL		
Fixed assets (note 3)		
Freehold and leasehold property	166,937	165,210
Plant, machinery and equipment	3,281,395	2,672,461
Goodwill, patents, trade marks, etc.	828,281	828,281
Total fixed assets	£4,276,613	£3,665,952
Current assets		
Stocks (note 4)	870,202	858,281
Debtors and prepayments	1,391,932	1,253,184
Cash and short term investments (note 5)	863,541	966,909
	3,125,675	3,078,374
Less: **Current liabilities**		
Creditors and accrued expenses	779,864	768,953
Current taxation	172,000	144,700
Proposed final dividend *less* income tax	194,925	159,483
	1,146,789	1,073,136
Net current assets	£1,978,886	£2,005,238
	£6,255,499	£5,671,190

Notes on the Consolidated Balance Sheet

	General Reserve £	Other Reserves £	Profit and Loss Account £	Total £
1. Revenue reserves				
As at 31st March, 1963	1,950,000	138,000	164,865	2,252,865
Retained profit for the year	450,000	12,000	22,009	484,009
As at 31st March, 1964	£2,400,000	£150,000	£186,874	£2,736,874

	1964 £	1963 £
2. Future taxation		
Income tax 1964/65	369,500	329,200
Tax deferred by capital allowances	202,000	142,000
	£571,500	£471,200

	1964 Cost £	1964 Accumulated Depreciation £	1963 Cost £	1963 Accumulated Depreciation £
3. Fixed assets				
Freehold and leasehold property	231,872	64,935	221,327	56,117
Plant, machinery and equipment	5,969,395	2,688,000	5,098,718	2,426,257
	6,201,267	2,752,935	5,320,045	2,482,374
Net tangible fixed assets	3,448,332		2,837,671	
Goodwill, patents, trade marks, etc., at cost *less* amount written off, including excess of book over par value of shares in subsidiaries, *less* pre-acquisition profits	828,281		828,281	
Total fixed assets	£4,276,613		£3,665,952	

	1964 £	1963 £
4. Stocks—substantially at cost		
"Coalite", oils and chemical products	255,779	273,820
Manufacturing and general engineering stores and spares	614,423	584,461
	£870,202	£858,281
5. Cash and short term investments		
Short term deposits	460,000	450,000
British Government securities (Market value £116,563—1963 £114,063)	103,746	103,746
Bank balances and cash	299,795	413,163
	£863,541	£966,909

6. Capital commitments

Capital expenditure authorised and outstanding at 31st March, 1964, amounted to £872,000 (1963 £954,000) of which £396,000 (1963 £533,000) represented commitments with third parties.

and current liabilities one column to the left and throw out the net current assets figure under the total fixed assets figure as an obvious addition would probably make the picture clearer to the lay man.

This may seem quibbling comment but it is a point worth considering. All the figures in one neat and tidy column look clear and concise but it does not necessarily mean that the lay reader can read the figures without, as it were, coming to a full stop and having to work the thing out, no matter how simple that process may be.

Record

Included in the Coalite report is what Commander Buist describes as 'the new-type statistical record'.

The first part of the record is a repetition of the basic heads of the group accounts plus the fixed assets spending shown separately. The second half takes the view direct from total revenue from sales, services, etc., through costs and expenses to profit in percentage terms of total revenue and employed capital.

A figure of equity earnings to show the dividend cover would have been a useful addition but the Coalite company goes much further than most concerns in breaking down costs in terms of raw material, wages and other items.

Coal is naturally the company's main raw material from which it makes 'Coalite' smokeless fuel – the product with which the group is mainly concerned in the public eye. Other main products from coal are crude coal oil, crude spirit and ammonia liquor. A products flow chart in the report shows how, from the main products other than coalite, there flows a whole stream of chemicals ranging from everyday products like creosote to Parachloro Ortho Cresol (selective weed killers) to Dichloro 3 Methyl 5 Ethyl Phenol and Hydroxyhydrindene which are antiseptics. There are in fact close on seventy products and by-products from the one main raw material source.

THE "COALITE" GROUP Ten Year Statistical Record (£'000)

	1955	1956	1957	1958 (1)	1959	1960	1961 (2)	1962	1963	1964
Capital employed										
Ordinary capital	1,604	1,605	1,605	1,929	1,929	1,929	2,893	2,893	2,893	2,893
Capital reserve	54	54	54	121	121	121	54	54	54	54
Revenue reserves	1,056	1,273	1,498	1,720	1,869	2,175	1,530	1,832	2,253	2,737
Stockholders' interests	2,714	2,932	3,157	3,770	3,919	4,225	4,477	4,779	5,200	5,684
Future taxation	215	213	249	316	374	442	418	463	471	571
Total capital employed	2,929	3,145	3,406	4,085	4,293	4,667	4,895	5,242	5,671	6,255
Employment of capital										
Tangible fixed assets	1,011	1,274	1,573	1,642	1,666	1,801	1,865	2,132	2,838	3,448
Goodwill, patents, trade marks, etc.	829	829	829	829	829	829	829	828	828	828
Net current assets	1,089	1,042	1,004	1,615	1,798	2,037	2,201	2,282	2,005	1,979
	2,929	3,145	3,406	4,086	4,293	4,667	4,895	5,242	5,671	6,255
Expenditure on fixed assets	153	414	496	283	248	376	315	564	1,064	1,015
Revenue, expenses, profits, dividends and ratios										
Total revenue from sales, services, etc.	3,554	4,173	5,210	5,919	6,027	6,415	6,675	7,168	7,758	8,419
Expenses of trading:										
Coal for carbonisation	1,656	1,956	2,515	2,889	2,823	2,985	3,160	3,291	3,369	3,586
Wages, salaries and employee benefits	662	767	906	1,034	1,098	1,172	1,231	1,327	1,426	1,496
Materials and other expenses including advertising	604	733	923	1,013	1,125	1,089	1,182	1,241	1,450	1,564
Depreciation	129	154	196	209	221	233	250	292	345	397
	3,051	3,610	4,540	5,145	5,267	5,479	5,823	6,151	6,590	7,043
Trading profit of the group	503	563	670	774	760	936	852	1,017	1,168	1,376
Taxation	264	270	330	403	380	435	403	486	499	608
Profit of the group after taxation	239	293	340	365	380	501	449	531	669	768
Ordinary dividends:										
Net amount paid	100	111	115	144	151	195	195	213	248	284
Percentage	11%	12%	12·5%	13%	13%	16·5%	11%	12%	14%	16%
Trading profit as a percentage of:										
Total revenue	14·2%	13·5%	12·9%	13·1%	12·6%	14·6%	12·8%	14·2%	15·0%	16·3%
Total capital employed	17·2%	17·9%	19·7%	18·9%	17·7%	20·1%	17·4%	19·4%	20·6%	22·0%

Notes—(1) Issued capital increased by £324,000 with a rights issue of 3,240,000 shares at 2/6 each.
(2) Issued capital increased by £964,375 with a one for two scrip issue.

CITY NOTES

FROM a business aspect the stock-markets seem at long last to be getting down to summer slumber. Fine weather is taking its toll of business.

The tone of the market is none the less steady. With the peak of the dividend season gone and Parliament in recess, there should be some respite for a market which has had more than its fair share of activity, excitement and even sensation in the past few weeks.

The July spate of new issue activity is unlikely to be repeated this month, but the success attending last month's new issues shows that speculative interest in that area is unabated. Most announcements of new share offer results mentioned the rejection of multiple or suspected multiple applications.

Where interest may stay lively is in the merger and take-over sphere and particularly in Lancashire cotton shares. Courtaulds have clinched their 'double' of Fine Spinners and Lancashire Cotton Corporation, and a new take-over power in the industry is likely to be the English Sewing Cotton group which is already taking over Barlow & Jones and has further plans in the take-over direction.

Some cotton share prices, however, already seem to be optimistically pitched and may prove dangerously high unless take-over hopes quickly become facts.

* * * *

THE failure of the stockbroking firm of R. H. Bristowe & Co coming so soon after the Rolls Razor crash has inevitably brought criticism of The Stock Exchange Council for its policy on 'shell companies' whose stock-market quotation is sometimes their sole 'asset'. Rolls Razor was such a company and many commentators are being wise after the event in criticizing the Council for regranting quotation when the Bloom washing machine interests were originally injected into the company.

Of more concern is the question of continued dealing in the shares of companies with 'shell' attributes. It was a client's heavy dealings in such shares which caused the Bristowe failure when, tardily, the Council banned dealings in the shares in question.

Banning dealings aggravated a position which, it is considered, would not have developed had the Council taken action earlier. The Stock Exchange, these past few years, has taken great pains and has spent a lot of money in attracting the small investor and in putting the purpose and function of the market before the public.

Much of the good work done has been undone by the events of the past few weeks.

* * * *

THE directors of The Imperial Tobacco Company are rethinking their policy on the company's trade investments in the British American Tobacco and Gallaher companies worth some £127 million in market value. In announcing this new look at the position, the chairman made it clear enough that the board's mind at present is entirely open.

For its part, however, the City already seems to have made up its mind that the company should separate these investments into an investment company and distribute shares in it to Imperial Tobacco shareholders. There is also a view that Imperial Tobacco may choose to 'place' the investments with institutional investors and use the funds to finance diversification, but that is not a school of thought particularly well attended.

RATES AND PRICES

Closing prices, Wednesday, August 5th, 1964

Tax Reserve Certificates: interest rate 28.3.64 2¾%

Bank Rate

July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%

Treasury Bills

May 29	£4 7*s*	6·17*d*%	July 3	£4 9*s*	4·72*d*%
June 5	£4 8*s*	26·9*d*%	July 10	£4 9*s*	7·75*d*%
June 12	£4 8*s*	8·49*d*%	July 17	£4 11*s*	7·01*d*%
June 19	£4 8*s*	9·84*d*%	July 24	£4 12*s*	11·95*d*%
June 26	£4 9*s*	3·39*d*%	July 31	£4 13*s*	1·03*d*%

Money Rates

Day to day	3⅜–4½%	*Bank Bills*	
7 days	3¼–4⅝%	2 months	$4\frac{13}{16}$–4⅞%
Fine Trade Bills		3 months	$4\frac{13}{16}$–4⅞%
3 months	5¾–6¼%	4 months	$4\frac{13}{16}$–4⅞%
4 months	5¾–6¼%	6 months	4⅞–$4\frac{15}{16}$%
6 months	6–7%		

Foreign Exchanges

New York	2·78$\frac{29}{32}$	Frankfurt	11·08¾
Montreal	3·01$\frac{9}{32}$	Milan	1742¾
Amsterdam	10·07¾	Oslo	19·96
Brussels	138·66½	Paris	13·66¾
Copenhagen	19·29	Zürich	12·05¼

Gilt-edged

Consols 4%	63$\frac{13}{16}$	Funding 3% 59–69	89¾
Consols 2½%	41½	Savings 3% 60–70	86⅜
Conversion 6% 1972	102¼	Savings 3% 65–75	77$\frac{7}{16}$
Conv'sion 5¼% 1974	97$\frac{5}{16}$	Savings 2½% 64–67	92$\frac{15}{32}$
Conversion 5% 1971	96$\frac{11}{16}$	Treas' 5½% 2008–12	89$\frac{15}{16}$xd
Conversion 3½% 1969	91$\frac{17}{32}$	Treasury 5% 86–89	87$\frac{11}{16}$
Conversion 3½%	57⅛	Treasury 3½% 77–80	76
Funding 5½% 82–84	94$\frac{13}{16}$	Treasury 3½% 79–81	74⅞
Funding 4% 60–90	93½	Treasury 2½%	41½
Funding 3½% 99–04	63$\frac{11}{16}$	Victory 4%	96⅝
Funding 3% 66–68	90$\frac{25}{32}$	War Loan 3½%	56¾

Budget-control Chart

SASCO'S range of low-cost charting kits has been joined by a new planner-chart which provides a simple and effective means of budget planning and control. It consists of a 36 in. by 24 in. plastic-laminated grid sheet for wall-mounting and displays the essential information through coloured self-adhesive tapes and labels.

The budgetary items are listed vertically on labels fixed down the left-hand edge of the chart, and against each is shown both *planned* and *actual* expenditure by means of different coloured tapes, placed horizontally. It is therefore a simple matter to compare the actual expenditure against the planned amount by simply comparing the lengths of different coloured tapes.

The expenditure scale is printed in arbitrary units numbered from 1 to 180 across the top of the chart, and the user can decide for himself the values he wishes them to represent, e.g. tens, hundreds or thousands of £, as the case may be.

The plasticized surface not only keeps the chart clean and tidy but also allows the tapes and labels to be quickly removed, or re-positioned when changes become necessary. The budget-planner need not be permanently wall-mounted but can be rolled up and taken to meetings without dislodging the information displayed.

Price: £1 19*s* 6*d*.

Self-Adhesive Sign Co Ltd, 1 Station Road, Shortlands, Bromley, Kent.

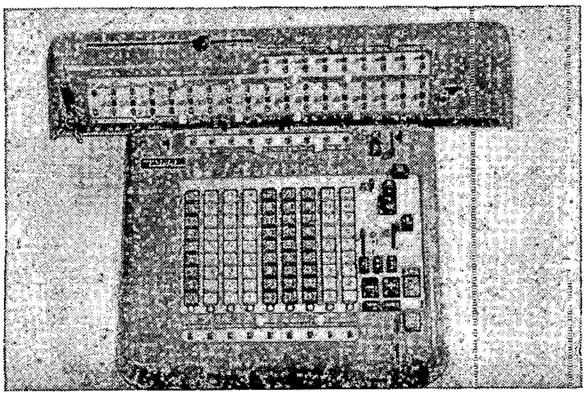
Colour Coding for Calculating

TO assist the operator, the keys of the new Diehl *ADM Math-matic* calculator are colour coded according to their function. The division keys are coloured red, the multiplication keys are blue and to add or subtract grey keys are pressed.

The principal features of the machine are automatic division and multiplication with automatic decimal point in the result; an independent visible storage register; and a multiplier memory. Also, there is facility for direct transfer between the storage register, results register and the keyboard.

Though priced at £478, the machine is available on rental for £12 4*s* a month or on lease for three or five years at £16 17*s* or £11 19*s* respectively.

Archimedes Diehl Machine Co Ltd, Chandos House, Buckingham Gate, London SW1.



The ADM Math-matic Calculator

New Offic[e]

Clean-edge Carbon

TWO new hectographic products have been announced by Caribonum. Firstly, there is *Clean-Edge Hecto Ribbon* which is $\frac{5}{16}$ in. wide yet there are two uncoated strips along the top and foot of the ribbon (as one looks at it at the typing point). These uncoated strips obviate the flaking of carbon as the paper feeds through the typewriter and thereby reduces the number of times a machine has to be cleaned. It is claimed that a spirit-duplicator master made from this ribbon will give up to 200 copies.

The second carbon product is the *RC163* – a hectographic carbon sheet. This has a handling edge down each side in stock sizes and masters from it will give up to 300 copies.

Prices: ribbon, from 12*s* 6*d*; carbon, quarto £5 9*s* 6*d*, foolscap £6 11*s* 3*d* per box of 250 sheets (P.T. extra).

Caribonum Ltd, London E10.

For Larger Numbers

FOR those firms who require large $\frac{3}{8}$ in. high characters for numbering forms or small drawings, English Numbering Machines Ltd have introduced the *Columbia* hand-numbering machine.

Four of the six wheels fitted have repeat, duplicate or consecutive action while the remaining two wheels can be engraved with either a numerical or alphabetical prefix. These are, of course, merely repetitive.

Alteration of the four changing wheels is done by a stylus to set the unit for the start of a sequence.

Price: £34 10*s*

English Numbering Machines Ltd, 25 Queensway Enfield, Middx.

High-speed Sheet Counting Machine

THE *Sheetmaster* is a new sheet counting machine from De La Rue. Originally designed to count new paper currency, the machine has also been used successfully to count sheets of paper; this it does at a rate of 4,200 a minute, i.e. a ream in seven seconds. Despite the speed and accuracy at which it operates, the *Sheetmaster* weighs only 56 lb. and measures $14\frac{1}{4}$ by $19\frac{1}{4}$ by 21 in.

Price: £850.

De La Rue Instruments Ltd, 168/172 Old Street, London EC2.

Data Retrieval from Microfilm

THE new *Recordak 'Miracode'* System is a microfilm information retrieval system that can store nearly one million pages of information in 16 mm film magazines. Any one of perhaps two thousand binary-coded pages in a given magazine can be located and projected in less than ten seconds, while the first of many copies of the page can be delivered in less than thirty seconds.

The system is designed for use where documents

Equipment

need to be located by their subject content or file number.

Two methods of indexing are provided, i.e. (*a*) by predetermined document numbering, and (*b*) by subject content of documents by the use of descriptors.

The heart of the Miracode system is the new, high-speed retrieval station. It can store up to four hundred and ninety film magazines within fingertip reach. The station is modular in design and may be arranged in several configurations. The essential component of the retrieval station is a *Recordak Lodestar* reader-printer, which gives an average access time of only eight seconds from depression of the search button to the appearance of the selected document image on the reader screen.

Price: Dependent on size of installation.

Kodak Ltd, 246 High Holborn, London WC1.

New Electric Typewriter

PRICED at £125 is the new *G* electric typewriter from Remington. There is a choice of three carriage lengths, 13 in., 15 in. or 18 in. (all being interchangeable) and a full ninety-two-character keyboard. Line spacing is fivefold and there is also half-line spacing, useful for typing chemical formulae, etc. The automatic carriage return is fitted with repeat spacing, while the space bar is a repeat key; so too are the back-spacer and underscore.

Remington Model G Electric Typewriter

Incorporating all of the features of the *G* model plus many more, is the Remington *Aristocrat* electric, for a high standard of correspondence and special use such as preparing spirit masters and offset-litho plates. Priced at £171, the *Aristocrat* has double letter spacing and automatic motor cut-off switch.

Remington Rand Ltd, 65 Holborn Viaduct, London EC1.

For Selective Addressing

A NEW electronic selector attachment is available for use with the Elliott *Model 3000* addressing machine. The unit is pre-set to read holes punched in the address-stencil frames from which the addresses are printed. A box full of stencils in filed order is loaded on the machine and only those punched with the selected code are printed, the remainder are skipped through automatically. Thus, the filing sequence is maintained.

Selection facilities range from single-hole choice (selecting on any one common factor) to complex multi-combination selection which require a variety of factors to agree in predetermined sequence.

Elliott Business Machines Ltd, Browells Lane, Feltham, Middx.

Diazo Copies by Heat

THE new *Ozaminor Thermal 14* is for diazo copying without ammonia gas or liquids. With a print speed of up to 40 ft a minute, it can produce in that time approximately forty quarto copies of good-quality translucent originals.

Because the coupler and dye of the diazo process are incorporated in the copying paper, the only factors needed to create the copy are light from a 1200 watt mercury vapour lamp and heat from a heater. The maximum feed width of the machine is 15 in. and the original can be of any length.

Heat diazo materials to give blue-black- or red-line copies have been manufactured for the machine, as have sepia-line intermediates for use as sub-masters. All the papers are available, it is claimed, in a range of speeds to meet most requirements, while the cost per copy is 1*d*. The speed control governs both printing and development and original and copy are automatically separated.

The *Ozaminor* heat machine looks like the *Ozaminor III*, the dyeline machine (using liquid developer) which has been on the market for some years. The external dimensions of the machines are similiar – i.e. 39 in. deep, 31 in. wide and 27½ in. high.

Price: Not yet released.

Block & Anderson Ltd, Cambridge Grove, London W6.

Coloured P.V.C. Holders

COLOURED P.V.C. document holders designed for use in production control and progress systems are now available from Celsur Plastics Ltd. Because the holders are transparent, documents inside are clearly visible, while the colours serve to enable staff to identify a job or assess its urgency or determine its origin or destination. Alternatively they can be used open on two adjacent sides, as folders for carrying inter-departmental correspondence – one colour for each department.

Colours available are red, blue, green, amber, and clear, and quantities of from one dozen upwards can be supplied in any one colour and in any size up to a maximum of 20 in. by 15 in. As a price guide, one dozen quarto-size holders cost 10*s* 2*d* including purchase tax.

Celsur Plastics Ltd, 2 Globe Road, Egham, Surrey.

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

C.I.R. *v.* William Cory & Son Ltd

In the Court of Appeal – June 25th, 1964

(Before THE MASTER OF THE ROLLS (Lord DENNING), Lord Justice DANCKWERTS and Lord Justice DIPLOCK)

Stamp duty – Sale of shares in company – Option to purchase – Shares transferred to option-holder – No beneficial interest passing – Option exercised verbally – Whether transfer deeds dutiable as conveyances on sale – Whether option agreement dutiable – Stamp Act, 1891, sections 1, 54, 59, Schedule 1 – Law of Property Act, 1925, section 53.

On August 13th, 1957, a representative of the respondent and a representative to a group of companies decided in principle on a sale to the respondent of the shares in the companies at the price of £450,000. On August 20th, 1957, a draft sale agreement was sent to the representative of the companies, and it provided for completion on November 1st, 1957. The draft contained a number of warranties, and in particular a warranty as to title, and it gave the respondent power to rescind if the title was not acceptable.

On September 10th, 1957, the solicitor to the companies sent to the respondent's solicitor a draft in a different form. The price was £450,000, as before, but completion was fixed for immediately after signature. On October 24th, 1957, the solicitor for the companies sent to the respondent's solicitor a clean copy of the draft incorporating the agreed amendments and also further amendments proposed.

On October 25th, 1957, the respondent's solicitor informed the solicitor to the companies by telephone that the respondent required an immediate option on the shares. Three days later the agreement of the vendors to an option was communicated to the respondent's solicitor. The option was conferred by an agreement dated November 1st, 1957. The consideration for the option was £100, and the option was exercisable within thirty days. The consideration for the shares was expressed as £420,856 3*s* 6*d*, which, together with the £100, was equivalent to £450,000 after deducting the price of certain shares not comprised in the option agreement. The agreement also provided for the transfer of the shares in the companies to the respondent forthwith, but the transfers were not to pass any beneficial interest in the shares. On the same day eighty-nine transfers of shares in the companies were executed by the vendors and handed to a representative of the respondent. Each transfer deed was expressed to be in consideration of 1*s*, and contained a certificate to the effect that no beneficial interest had passed, and that it was made for the protection of the respondent's option rights, and that the fixed duty of 10*s* was payable.

On the next day the option agreement and the transfer deeds were submitted to the Controller of Stamps, who contended that the transfer deeds were chargeable as conveyances on sale. The duty amounted to £8,418, and it was paid without prejudice to the contention that no *ad valorem* duty was payable. On November 8th, 1957, a statutory declaration as to title was given to a representative of the respondent; and on the same day the option was exercised verbally at an interview between a representative of the respondent and the solicitor for the companies. The purchase price was paid forthwith. On May 20th, 1959, the Controller of Stamps adjudicated the option agreement as liable to stamp duty as an agreement for the sale of an equitable interest, and this duty came to £8,420. This assessment of the duty was an alternative to the duty already charged on the transfer deeds.

Held (reversing the decision of Mr Justice Pennycuick (Lord Justice Diplock dissenting): the transfer deeds were stampable *ad valorem* as transfers on sale.

de Vigier *v.* C.I.R.

In the House of Lords – July 6th, 1964

(Before Lord REID, Lord EVERSHED, Lord GUEST, Lord PEARCE and Lord UPJOHN)

Surtax – Settlement – Payments to settlor's wife – Capital sum – Payments to trustees to acquire shares – Cross payments by trustees – Whether repayment of a loan – Income Tax Act, 1952, section 408.

On September 25th, 1957, the appellant's wife paid £6,000 to the trustee of a settlement made by the appellant in 1952, and the trustees of which were the appellant's wife and his solicitor. On October 1st, 1957, the trustees paid £2,994 in respect of a rights issue of shares in a company of which the appellant was a director; and on October 4th, 1957, the trustees paid £2,550 to the appellant's wife for 1,000 shares in the same company. On October 14th, 1957, the appellant's wife paid £1,000 to the trustees, and on October 19th the trustees paid £1,040 3*s* 6*d* for a purchase of further shares in the same company on the Stock Exchange. In May 1958, the trustees paid £2,500 to the appellant's wife, and paid her £4,500 in the following August.

An additional surtax assessment was made on the appellant in the sum of £12,174 representing the £7,000 grossed up. The assessment was made pursuant to section 408 of the Income Tax Act, 1952, on the footing that the two sums last mentioned were repayments of a loan. It was contended for the appellant that as the appellant's wife was a trustee, she was not in a position to obtain repayment of the £7,000; and that therefore the two sums of £2,500 and £4,500 were not repayments of a loan. The

Special Commissioners accepted this contention and allowed the appeal.

Held (affirming the decision of the Court of Appeal): that there was no impediment to the settlor's wife recovering the two sums in question; and that the sums paid to her by the trustees were repayments of a loan and thus within the section.

Argosam Finance Company Limited *v.* Oxby and C.I.R.

In the Court of Appeal – June 23rd, 1964

(Before THE MASTER OF THE ROLLS (Lord DENNING), Lord Justice HARMAN and Lord Justice DIPLOCK)

Income tax – Dealer in stocks and shares – Loss claim – Procedure by originating summons – Whether such remedy available – Income Tax Act, 1952, section 341 – R.S.C. Order 18, Rule 19.

The plaintiff carried on trade as a dealer in stocks and shares, and returned its taxable profit for 1960–61 as £31,395. In arriving at this figure taxed dividends of £392,750 were included, and the tax deducted therefrom was £152,190. The plaintiff made a claim, under section 341 of the Income Tax Act, 1952, to repayment of tax on £361,355, the difference between the £392,750 and the £31,395.

The defendants contended that taxed dividends should be included at their gross amount in computing profits and losses for the purposes of section 341; and that, therefore, the plaintiff had not made any loss for those purposes.

The plaintiff took out an originating summons to determine the question.

Held (affirming the judgment of the High Court): as the question raised was a hypothetical one the summons was an abuse of the process of the Court, and was rightly struck out.

FOR STUDENTS

Mechanized Accounting — III

POSTING SAFEGUARDS

ONE of the advantages of mechanized accounting is the extra facility it provides for proving the entries made in the accounts. In any accounting system the errors which can arise are:

(1) incorrect posting;
(2) posting to wrong account;
(3) incorrect calculation of balance.

With mechanical accounting, where the opening balance is 'picked up' on each posting, there is the additional possibility of error – incorrect 'pick-up' of opening balances. In mechanical accounting particular attention has always been paid to arithmetical accuracy and to methods of proof of which the following are examples.

Incorrect posting

The method adopted to detect this fault is to list the amounts to be posted before the operation is performed. If this is done by a person other than the machine operator, it provides a proof total against which to compare the total provided by the machine at the end of the posting run. This proof total is then posted to a control account. The operation is known as 'pre-listing'.

Posting to wrong account

Many methods of preventing this error have been devised and the choice depends on (*a*) quality of the staff; (*b*) number of errors made; (*c*) the existence of an account numbering system.

If a numerical account coding system is not adopted the principal method of ensuring posting to the correct account is to 'pull' (or take out) the ledger account cards or sheets and place posting media (i.e. documents to be posted) in the same order as the ledger accounts. This is normally performed by someone other than the machine operator and thus provides a check, as well as saving machine operators' time and keeping the machines active.

A variant of this is to 'stuff' the ledgers, i.e. insert the posting media between the ledger sheets at the appropriate accounts.

Alternatively the accounts to be posted will be 'offset' for ease of location by the operator.

Besides providing a check, the 'pulling', 'stuffing', etc., of ledgers also enables machine operators to attain maximum speeds as they do not have to search for the ledger accounts to be posted.

If a numerical account coding system is in force, additional checks can be operated which ultimately depend on how accurately the media are coded. These checks are:

(*a*) account numbers can be included as part of the description of the posting; any incorrect number will then appear on the face of the ledger card and the error will be immediately apparent;

(*b*) account numbers can be pre-listed with the amounts to be posted and as each account number is posted it will be added to the proof total stored in the machine, giving an arithmetical check;

(*c*) account numbers will be included in the 'check total' as described below under 'Incorrect pick-up of of opening balances'. This method is by far the best as it enables errors to be detected before any entry has been made in the account.

Incorrect pick-up of opening balances

If the system is properly designed, errors of this kind should be entirely eliminated. Some safeguarding methods are described as follows:

(i) The most widely used system is 'double pick-up' proof whereby the opening balance is picked up for a

Other articles in this series on 'Mechanized Accounting' appeared in the issues dated March 9th and September 14th, 1963.

second time; it is then 'subtracted' after the closing balance has been calculated. This has the effect of leaving the amount posted in the machine register. The register is totalled, the amount being printed on to the proof sheet and simultaneously added to the stored total. Agreement of the stored total with the pre-list at the end of the posting run, proves the following:

(*a*) correct posting of amounts;
(*b*) correct pick-up of opening balances;
(*c*) correct calculation of closing balances.

It is apparent then that prior proof can establish:

(*a*) that the correct account has been selected;
(*b*) that the opening balance has been picked up correctly.

Proof of correct posting is obtained by using the pre-list as before.

Prior proof is therefore the neatest and most efficient method and for that reason is to be preferred.

Illustration

Opening balance: £10 0s 0d Posting: £5 0s 0d

	Correct entry £ s d	*Error in posting* £ s d	*Error in pick up* £ s d	*Error in closing balance* £ s d
(1) Pick-up old balance	10 0 0	10 0 0	9 0 0	10 0 0
(2) Add posting	5 0 0	6 0 0	5 0 0	5 0 0
(3) New balance	15 0 0	16 0 0	14 0 0	16 0 0
(3) Less old balance (2nd pick-up) ..	10 0 0	10 0 0	10 0 0	10 0 0
(4) Amount added to proof total ..	£5 0 0	£6 0 0	£4 0 0	£6 0 0

It is apparent, therefore, that an error in any of these figures will result in an incorrect addition to the stored total which will fail to agree with the pre-list total.

(ii) *Prior Proof.* The disadvantages of 'double pick-up' proof is that the incorrect entry is made before it can be detected and a correction routine must therefore be established to remedy it. It is not sufficient to rule out the incorrect entry and repeat it correctly as the proof total must also be adjusted.

With 'prior proof', incorrect pick-ups of opening balances are detected before the posting is commenced, thus eliminating (*a*) incorrect entries in accounts; (*b*) the need for a correction routine.

An additional balance (called a 'verification') is kept on the card for this type of proof. The figure can be twice the account balance or the balance of the account plus the account number. The purpose of this is to have digits in the verification factor different from those in the account balance. A correct pick-up is signalled by:

(*a*) a zero on the proof sheet; and/or
(*b*) the machine tabulating to the posting position.

An incorrect pick-up is signalled by:

(*a*) the appearance of the amount of the error instead of a zero, or
(*b*) the machine rejecting the incorrect entries and returning to the 'pick-up' position.

But it does require the 'Account No.' entered on the posting media to be accurate. It is usually found only on the larger machines which compute the verification figure on the new balance after every posting.

Incorrect calculation of closing balances

'Double pick-up' proof establishes that the closing balance has been correctly computed. When this method of proof is not used, closing balances can be checked by listing opening or closing balances and by adding or subtracting the total of the postings made, computing either the closing balance per the control account, or the balance before posting commenced. This method of proof would not be used, however, unless the bulk of accounts was active on each posting run. The operation is performed monthly when the ledger balances are extracted (i.e. listed) to agree with the balance on the control account, so that a measure of duplication of work arises if this proof is attempted after each posting run.

When 'verification' proof is used, the incorrect calculation of the account balance will in most cases be found when the next posting to the account is attempted. However, errors of this nature do not arise with any frequency and it is not the practice to incorporate special detection routines into the programme as errors will certainly be detected at the month end.

Illustration

	A/c No.	*Balance* £ s d	*Verification (sum of a/c no. and balance)*	
	£12,345+	240 0 0+	£12,585 0 0−	
Correct pick-up:	1st pos'n	2nd pos'n	3rd pos'n	4th pos'n
(1)	£12,585 0 0+	240 0 0−	£12,345 0 0−	0. To posting position.
Incorrect account balance:				
(2)	£12,585 0 0+	260 0 0−	£12,345 0 0−	20. machine rejects entries or operator rejects and returns.
Incorrect account No. (Account No. read from posting media):				
(3)	£12,585 0 0+	240 0 0−	£13,245 0 0− (or any other number)	900. machine rejects entries or operator rejects and turns.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS CHARLES COMINS & Co, Chartered Accountants, 50 Cannon Street, London EC4, announce that Mr C. J. COMINS, M.C., F.C.A. (son of the founder of the firm, the late Mr CHARLES COMINS, F.C.A.), senior partner of the firm since 1925, retired from the partnership on July 31st, 1964, after forty-three years as a partner, but remains as consultant to the firm. The practice will be continued under the same name and from the same address by the other partners.

Mr ERIC JOHNSON, F.C.A., of Llandudno, and MESSRS FOGG, TATLOW, THOMAS AND JONES, Chartered Accountants, of Llandudno, Bangor and Llangefni, jointly announce the fusion of their interests as from August 1st, 1964. The practice will be carried on from 22 Trinity Square, Llandudno, Martins Bank Chambers, Bangor, and 24 Church Street, Llangefni.

MESSRS D. S. POWNALL & Co, Chartered Accountants, announce that their address is now 642 High Road, Leytonstone, London E11. Telephone: Leytonstone 4600.

MESSRS PEAT, MARWICK, MITCHELL & Co, Uganda firm, Chartered Accountants, P.O. Box 93, Kampala, announce that Mr JOHN M. GEAREY, A.C.A., a senior member of their staff for several years, was admitted to the partnership on July 1st, 1964.

MESSRS LAWRIE PROPHET & Co, Chartered Accountants, P.O. Box 93, Kampala, announce that Mr JOHN M. GEAREY, A.C.A., a senior member of their staff for several years, was admitted to the partnership on July 1st, 1964.

MESSRS E. H. SHELTON & Co, Chartered Accountants, P.O. Box 537, Kampala, announce that Mr JOHN M. GEAREY, A.C.A., a senior member of their staff for several years, was admitted to the partnership on July 1st, 1964.

MESSRS WILLIAM A. J. LING & Co, Chartered Accountants, of 85 Ballards Lane, London N3, announce that they have admitted into partnership Mr BRIAN A. LEVY, A.C.A., and Mr B. ANTHONY BERMAN, A.C.A.

Appointments

Mr F. R. Goodey, F.C.W.A., F.C.C.S., has been appointed company secretary and financial controller of Norvic Electric (Acton) Ltd, a member of Southcros Ltd group of companies.

Mr F. W. Johnson, B.COM., A.A.C.C.A., A.C.I.S., deputy chief accountant of the North Western Gas Board since 1954, has been appointed chief accountant of the Board.

Mr H. Morrell, F.C.A., who recently joined the Readicut Wool Co Ltd to take up an executive appointment, has now been appointed to the board of the company.

Mr R. S. B. Phillipson, A.A.C.C.A., has been appointed secretary and accountant of the Civil Service Housing Association Ltd and the Civil Service Building Society in succession to Miss P. G. Keable, F.C.A., who has retired.

Mr B. G. Rose, F.C.A., has been appointed chairman of B. K. L. Alloys Ltd, and Mr F. T. Tyler, F.C.A., secretary of the company, has been elected a director.

Mr Duncan Swain, F.C.A., has been appointed financial director of B.B.P. Advertising (Boswell, Barratt & Phillips Ltd).

Mr C. R. B. Townend, M.A., F.C.A., a director and secretary of Belling & Lee Ltd, has been appointed to the newly-created post of comptroller, and will be responsible to the general manager for all aspects of overall day-to-day planning, control and administration of the company.

BOARD OF TRADE INQUIRY

Inspectors to investigate Fiesta Tours Ltd

Mr John Peter Landau, F.A.C.C.A., and Mr William McLaren Howard, Q.C., have been appointed Board of Trade inspectors to investigate the affairs of Fiesta Tours Ltd.

ROLLS RAZOR LTD

Following the announcement in our issue of last week that the Board of Trade had appointed Sir Henry Benson, C.B.E., F.C.A., and Mr Morris Finer, Q.C., as inspectors to investigate the affairs of Rolls Razor Ltd, the Board of Trade further announces that information for the inspectors should be addressed to Mr A. W. Brookland, F.C.A., secretary to the joint inspectors, Abacus House, Gutter Lane, Cheapside, London EC2.

REGISTRATION OF GOODS UNDER RESALE PRICES ACT

On August 16th there will begin the period of three months for claiming registration under the Resale Prices Act, 1964, of goods which suppliers wish to continue to sell subject to minimum resale prices.

Registration is claimed by notice given to the Registrar of Restrictive Trading Agreements, and the Registrar has made the Resale Prices (Registration of Goods) Regulations, 1964[1], prescribing the manner in which the notice is to be given and the particulars to be included. Notices must be given on forms provided by the Registrar which will be available shortly from the offices of the Registrar of Restrictive Trading Agreements, Chancery House, Chancery Lane, London WC2, or 9 Wemyss Place, Edinburgh 3, and also from the Federation of British Industries, the National Association of British Manufacturers and the Association of British Chambers of Commerce.

Under the Act a claim for registration of any goods can be made only by a supplier whose business is not wholly retail and who supplies them under arrangements for maintaining minimum resale prices or by a trade association whose members include such suppliers.

The Registrar has produced a pamphlet entitled *Guide to the Registration of goods under the Resale Prices Act, 1964*[2], to supplement the notes which are included with the forms of notice for claiming registration.

[1] H.M.S.O. – S.I. 1964, No. 1115. Price 5*d*, by post 7½*d*.
[2] H.M.S.O. Price 8*d*, by post 11*d*.

INSTITUTE OF INTERNAL AUDITORS

Fifth European Regional Conference

'Breaking new ground' will be the theme of the Institute of Internal Auditors' fifth European Regional Conference which is to be held from October 14th to 16th at the Abbey Hotel, Great Malvern, Worcestershire.

Sponsored by the Institute's Birmingham Chapter, speakers at the conference will be Mr R. Davis, F.I.M.T.A., chief accountant, The Gas Council; Mr B. J. M. Edmunds, F.S.A.A., C.A.(S.A.), A.C.W.A., manager budgets and controls, Massey Ferguson Tractors Ltd; Mr C. Loveluck, B.SC.(ECON.). director, Management Practice Ltd; and Mr J. P. Wilson, F.C.W.A., F.C.I.S., President of The Institute of Cost and Works Accountants. Syndicate meetings will be held following each speaker's address, and at subsequent meetings questions raised by syndicates will be answered by the speaker. Other arrangements for the conference include a banquet, and for the ladies a local coach tour which will include a visit to the Royal Worcester Porcelain Works.

Applications from those wishing to attend the conference, which is also open to non-members, should be addressed to the chairman of the conference committee, Mr R. H. Pitchford, West Midlands Gas Board, Wharf Lane, Solihull, Warwickshire.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF HUDDERSFIELD

At an extraordinary general meeting of the Huddersfield Branch of the Bradford and District Chartered Accountants Students' Society held on July 21st, it was unanimously resolved that the Chartered Accountant Students' Society of Huddersfield be formed.

It was further resolved that the Society should adopt as its rules the draft rules produced to the meeting and which had received the prior approval of the Institute. Under those rules, the following officers and committee were elected:

President: Mr D. N. Rosling, F.C.A.
Secretary: Mr D. Armitage, c/o Simpson, Wood & Co, Bank Chambers, Market Street, Huddersfield.
Treasurer: S. Vasey.
Librarian: J. Ellam.
Committee elected for: One year: Messrs A. E. Pearson and S. A. Wright. *Two years:* Mr D. Moore. *Three years:* Messrs P. J. Wood, A. W. Short and C. J. Shaw.

Applications for student membership have been received from ninety-three students, of whom forty attended the meetng.

THE CHARTERED INSTITUTE OF SECRETARIES

Change of address

The Chartered Institute of Secretaries announce that as from July 31st they have moved from 14 New Bridge Street, London EC4, to new headquarters at 16 Park Crescent, London W1, telephone: Langham 4741.

O.E.C.D. ECONOMIC SURVEYS

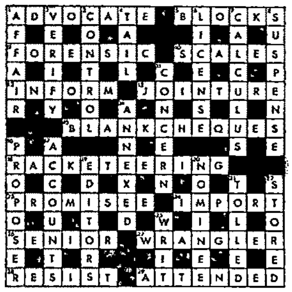
Three further booklets in the 1964 series dealing with economic conditions in member and associated countries of the Organization for Economic Co-operation and Development have recently been issued covering the United Kingdom, Italy and Norway. Copies of the booklets are obtainable from H.M. Stationery Office, price 5*s* each.

ASSISTANT OFFICIAL RECEIVER IN BANKRUPTCY

The Board of Trade have announced that Mr Reginald Frederick Wood has been appointed an Assistant Official Receiver in Bankruptcy attached to the High Court and that his appointment as an Assistant Official Receiver for the Bankruptcy District of the County Courts of Croydon, Guildford and Kingston upon Thames has been revoked, consequent upon his new appointment. The appointment and revocation takes effect from July 20th, 1964.

CROSSWORD SOLUTION

The solution to the Holiday Crossword compiled by Mr Kenneth Trickett, F.C.A., which appeared in last week's issue, is as follows:



Editorial Staff Vacancies

Secretary. The Editor of *The Accountant* requires a competent personal secretary. Personable shorthand/audio typist with tact and initiative, capable of providing maximum general assistance with minimum supervision. Age 25 to 35.

Editorial Assistant. Senior lady of good education for proof reading, sub-editing, research, etc. Care and accuracy essential attributes.

Hours (normally) 9.30 to 5.30 (no Saturdays), luncheon vouchers. Salary in each case commensurate with age, qualifications and experience. Address applications, marked 'Personal (E.S.V.)' to The Editor, *The Accountant*, 151 Strand, London WC2, or telephone Temple Bar 0832.

THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

RESULTS OF EXAMINATIONS HELD IN MAY 1964

Places and prizes will be awarded on the combined results of the May 1964 and November 1964 examinations

FINAL EXAMINATION

PART A

Adolph, S. F., Southgate B.
Allsop, M., Derbyshire C.C.
Anderson, A., Ministry of Housing and Local Government
Anderton, D. A., Birmingham C.B.

Bambury, P. T., Potters Bar U.D.C.
Beesty, H. A., Salop C.C.
Bennell, G. F., Essex C.C.
Bent, A. W., Worsley U.D.C.
*Bridge, W. G., Newcastle-under-Lyme
Brown, K. J., Leicester C.B.
*Brown, W., Knottingley U.D.C.
Budd, J., Sutton Coldfield B.
Bullock, D. A., Preston C.B.
Burrows, C. W., Taunton B.

Cartwright, R. J., Cannock R.D.C.
Chapman, R., Birmingham C.B.
Cliff, K. S., Staffordshire C.C.
*Coates, W. A., Staffordshire C.C.
Colston, D., Slough B.
*Cooper, C. G. H., Coventry C.B.
Coveney, B. P., Bexhill B.
Crawford, D., Tynemouth C.B.

Davenport, M., Hazel Grove and Bramhall U.D.C.
Dix, G. L., Portishead U.D.C.
Duke, A. R., Rotherham C.B.

East, D. S., Newport (Mon.) C.B.

Finan, R., Yorkshire (West Riding) C.C.
Flenley, L. B., Buckinghamshire C.C.
Foreman, L. S., Bedford B.
Frost, G., Nottinghamshire C.C.

Gardner, G., West Ham C.B.
Garland, G. A. F., Reigate B.
Goodwin, T. F. R., Ellesmere Port B.
Gore, B. E., Bullingdon R.D.C.
*Gough, W. G., Glamorgan C.C.
Groom, R. J., Maidenhead C.

Hadfield, T. P., Derbyshire C.C.
Hague, P. G., Ministry of Housing and Local Government.
Harper, W. R., Hampshire C.C.
Harris, T. M. (Miss), Kent C.C.
Harvey, D. S., Luton C.B.
Hayter, K., Bolton C.B.
Hensby, J. N., St Albans B.
Hepworth, R., Morley B.
Hickey, G., Tynemouth C.B.
Hickman, K., St Helens C.B.
*Hollywood, M., Dorset C.C.
Hortop, J. R., Glamorgan C.C.
*Howells, R., Merthyr Tydfil C.B.

Irving, J. H., Wallsend B.

*Jackson, P. L., Cheshire C.C.
Johnson, F. W., Calne and Chippenham R.D.C.
Johnston, R. C., Hertfordshire C.C.
Jones, G. L., Salop C.C.

Kennedy, J. F., Southampton C.B.

Lee, D. G., London C.C.
Leonard, C. W., Cheshire C.C.
Lockwood, E., Blackburn C.B.

Mabey, P. W., Coventry C.B.
*Macaskie, J. P., Huddersfield C.B.
Malkin, B., Middleton B.
*Martino, A. D., Middlesbrough C.B.
McMillan, G. F. S., Ministry of Housing and Local Government
McNulty, B., Ministry of Housing and Local Government
Millward, C. A., Ministry of Housing and Local Government
Morrell, G., Morley B.

Nightingale, D. P., Bolton C.B.

Ovens, D. G., Glamorgan C.C.

Pardoe, E., Ministry of Housing and Local Government
Parkes, J. A., Derbyshire C.C.
Parry, D., Winsford U.D.C.
Pearson, G. P. N., West Bromwich C.B.
Pitchford, M. E., Rowley Regis B.
Pointer, R. G., Norwich C.B.
Poppleton, D. A., Birmingham C.B.
*Powell, B. J., Cardiff C.B.
Pycock, B.W., Lincolnshire (Holland) C.C.

Randall, R. J., Hampshire C.C.
*Reilly, A. J., Birkenhead C.B.
Revell, B. H., Isle of Ely C.C.
Richardson, A., Eastbourne C.B.
*Richmond, G. W., Chesterfield B.
Roberts, J. M., Bradford C.B.
Rosser, R. J., Monmouthshire C.C.
Rushent, S. A., Christchurch B.
Sadler, C., Rowley Regis B.
Seywright, W., Greenock
*Shaw, F., Romney Marsh R.D.C.
Shelbourn, M. S., Lincolnshire (Lindsey) C.C.
Sims, R. W. L., London C.C.
Singer, J. M., Coventry C.B.
Skinner, D. W., Banstead U.D.C.
Smith, K. H., Esher U.D.C.
Smith, N., Chester C.B.
Smith, R., Dumfries
Smyth, D. V., Belfast
Southworth, J., Ministry of Housing and Local Government
Stanfield, G. J., St Pancras B.
Stevenson, B., Middlesbrough C.B.
Sutcliffe, K. R., Pudsey B.
*Sutherland, R. B., Nottingham H.M.C.

Tanner, B. M., Birmingham C.B.
Taylor, J. J., Staffordshire C.C.
Theakston, J. A., West Hartlepool C.B.
*Thomas, A. R., Bolton
*Thombs, A. D., Bullingdon R.D.C.
Tilly, I. R., Reading C.B.
Townend, E., Huddersfield C.B.
Trollope, P., Morley B.
Tunley, C. A., Solihull C.B.
Turner, T. J., Coventry C.B.
Twohig, B., Yorkshire (West Riding) C.C.

*Vennell, L. F., Calne and Chippenham R.D.C.

*Wall, K., Derbyshire C.C.
*Ward, G. W., Warwickshire C.C.
Ward, R. H., Derbyshire C.C.
*Watts, J. E., Coventry C.B.
*Webb, D. A., Gloucestershire C.C.
Westlake, R. J., Newport (Mon.) C.B.
Weston, D. R., Coventry C.B.
Widdeson, P. C., Derbyshire C.C.
Wignall, J. L., Oadby U.D.C.
Wild, G. M., Bury C.B.
Wilkinson, M., Accrington B.
Willatt, F., Keighley B.
*Williams, A. L., Bolton C.B.
*Wood, B., Oxford C.B.
Wright, E. O., Staffordshire C.C.
Wright, S. G., Isle of Ely C.C.
*Wrightson, J. C., Coventry C.B.

*Passed Part B at a previous examination

PART B

Acomb, N. M., Bradford C.B.
*Akers, B., Manchester C.B.
*Allport, B. G., Glamorgan C.C.
*Arnold, J. S., Willesden B.
*Attryde, K. C., Derbyshire C.C.
*Avery, D. P., Norfolk C.C.

*Barnett, G. A., Liverpool C.B.
*Bate, B. E., Plymouth C.B.
Bates, C. J., Nuneaton B.
*Bellamy, J. W., Mansfield B.
*Black, D., Glasgow
*Blacker, G. B., Portsmouth C.B.
*Boulden, G. J., Brentford and Chiswick B.
*Bouttell, M. J. E., Suffolk (West) C.C.
Bowers, R., St Pancras B.
*Brant, D., Motherwell and Wishaw
*Brien, R. J., City of London College
*Buckley, E. W., Medway College of Technology.

Cass, J. R., Barking B.
*Coatsworth, B. H., Brentford and Chiswick B.
*Codling, G., Ministry of Housing and Local Government
*Collinge, B., Manchester C.B.
*Collinge, G. M., Buckinghamshire C.C.
*Cook, D. S., Buckinghamshire C.C.
*Cook, W. C., Port Glasgow
*Cooke, W. R., Ramsey U.D.C.
*Crofts, R. D., Norwich C.B.

*Daffern, E. S., Leeds C.B.
*Davies, R. L., Swansea C.B.
*Dewsnap, C. H., Ashton-under-Lyne B.
*Dilley, H. A., Nottingham C.B.
*Dowsett, F. J. B., Crosby B.
Duckworth, B. L., Manchester C.B.
Duncan, J. F., Somerset C.C.
Dunn, B. J., Hertfordshire C.C.
*Dunn, J. L., Wokingham B.

*Edgington, G. H., Berkshire C.C.
*Edwards, A., Merioneth C.C.
Edwards, M. (Miss), Wimbledon B.

*Farmer, C. J., Hendon B.
*Farnham, B. P., Southampton C.B.
*Forman, C. D., Edinburgh
*Fowler, C., Lanarkshire C.C.
*Furneaux, M. J., Wanstead and Woodford B.

*Giddings, P., Epping U.D.C.
Gordon, E. N., Warrington B.
Graham, B. S., Cumberland C.C.

*Hall, P. C. S., Derbyshire C.C.
*Hancock, D. N., Somerset C.C.
*Hawkins, E. H., Hornsey B.
*Hayes, R. E., London C.C.
*Hearn, A. A., Essex C.C.
*Hember, R. J., Derbyshire C.C.
*Henderson, D., Ministry of Housing and Local Government
*Hepburn, A., Edinburgh
*Hill, P., Welwyn Garden City U.D.C.
*Hobbs, G. B., Lusaka
*Hocking, M. L., (Miss) Paddington B.
*Hollamby, A. F., Eastbourne C.B.
*Holmes, D. F., Bradford C.B.
*Holtom, P. V., Worcester C.B.
*Hudson, M. J., Keynsham U.D.C.
*Hughes, A., Cheshire C.C.
*Hunter, B. C., New Forest R.D.C.

*Inch, D. W., Durham B.

*Jackson, A., Chapel-en-le-Frith R.D.C.
*Johnson, P., Barrow-upon-Soar R.D.C.
*Jolliffe, C., Hampshire C.C.
*Jones, B., Durham B.

*Kearton, S., Staffordshire C.C.
*Kidd, F. J. M., Glasgow
*King, R. S., Scarborough B.
King, T. H., Bournemouth B.

Laidler, T., Lincoln C.B.
Latham, D. M., Essex C.C.
*Law, D. B., Holderness R.D.C.
*Lee, R. C., Radnorshire C.C.
*Long, P. C., Portsmouth C.B.

*Mayfield, J. H., Nottinghamshire C.C.
*McElhinney, M. L., Ministry of Housing and Local Government.
*McHattie, J. H., Luton C.B.
*McNamara, B. C., Swansea C.B.
Mihell, I. C. D., Portsmouth C.B.
*Mill, P. K., Helensburgh
*Millard, A. W., Halstead R.D.C.
*Miller, R. T. A., Staffordshire C.C.
*Moon, R., Barrow-in-Furness C.B.
*Mooney, P. J., Bedford B.
*Morrish, B. W. A., Sussex (East) C.C.
*Murdoch, R. J., Wolverhampton C.B.

*Needham, T. V., Derbyshire C.C.
*Newland, M. G., Woking U.D.C.
*Nichol, W. R., South of Scotland Electricity Board
*Nutley, G. C., Shifnal R.D.C.

*Palmer, J. H., Salop C.C.
*Perkins, D., Derbyshire C.C.
*Poole, G. J., Ministry of Housing and Local Government
*Potts, H. E., Cumberland C.C.
*Poulter, H. W., Finchley B.
*Powell, J. M., Hendon B.

Ritchie, A. F., Stirling
*Roberts, G., Valley R.D.C.
*Robinson, R., Ministry of Housing and Local Government
*Robson, J. N., Carlisle C.B.
*Russell, A. H., Midlothian

*Scott, A., South of Scotland Electricity Board.
*Seaton, R. E., Ministry of Housing and Local Government.
*Sellers, P. E., St Marylebone B.
*Sexton, F. S., London C.C.
*Shackmaster, M., London C.C.
Shapton, H. G., Leicestershire C.C.
*Snow, D., London C.C.
*Stainer, I. G., Barking B.
Stanbank, E., Barnes B.
*Straw, C. G., Ilkeston B.
*Sutton, D. F., Southend-on-Sea B.
*Sykes, K. G., Bradford C.B.

*Tait, T. E. W., Edinburgh
*Taplin, R. H., Swindon B.
*Tate, J. R., Yorkshire (North Riding) C.C.
*Taylor, J. M., Derbyshire C.C.

*Veness, J. E., Ealing B.
*Vickery, O. C., Christchurch B.

*Wain, P., Nottingham C.B.
*Walton, F. H., Coventry C.B.
*Watson, C., Sheffield C.B.
*Wetherburn, E., Durham C.C.
Wheeler, J. C., Plymouth C.B.
*Whiting, W., Ruislip-Northwood U.D.C.
*Williams, D. E., Cardiff C.B.
*Wilson, R. C., Durham C.C.
*Wishart, D., Sunderland B.
*Woodrow, A. W., Harrow B.
*Wragg, G. M., Derbyshire C.C.

*Passed Part A at a previous examination

Summary of Results

	Intermediate		*Final – Part A*		*Final – Part B*		*Total*	
	No.	*per cent*	*No.*	*per cent*	*No.*	*per cent*	*No.*	*per cent*
Passed	219	31	130	33	134	45	483	34
Failed	499	69	269	67	164	55	932	66
Total	718		399		298		1,415	

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE ACCOUNTANT

ESTABLISHED 1874

AUGUST 15TH, 1964 VOL. CLI. NO. 4678

CONTENTS

What Makes Auditors Tick?

THE modern answer to the serious question posed in the title of this article is that they do so when they have no reliable shorter means of verifying the records being checked. The complete historical answer would provide the material for an exhaustive study of the evolution of auditing. From the earliest days of the profession until a period well within the memory of those born in the early years of the present century auditing, in most instances, resembled a slogging match often amounting to a test of physical endurance. Everything that could be was vouched, posted and added and the resultant accounts could literally be said to be fully audited and, in the absence of anything untoward, found correct even if they were so obscure as to convey no appreciable meaning to those who hopefully looked for a message from them.

Then from the mill emerged slowly the admirable habit of keeping simple control accounts for purchases and sales ledgers. With the development of scientific costing, this form of verification by totals was extended to stock and work in progress records until, nowadays, completely integrated sets of financial and costing accounts have become accepted practice. The expansion of efficient methods of internal control and the intelligent use of sampling techniques have further reduced the sheer drudgery of detailed auditing. With more time for constructive thought and with the compulsive inspiration of progressive legislation to guide him, the accountant-auditor now rightly regards consideration of the design and presentation of accounts as an important part of the audit assignment. The benefits of this orientation of outlook, made possible as already suggested by improvements in accounting, administrative and auditing routines, is apparent when comparisons are made between accounts of sixty years ago and those of today. The message for which the Edwardian shareholders so hopefully looked is beginning at long last to be writ clear.

Does this mean that the ultimate refinements of auditing practices have been achieved? The forward-looking answer is definitely 'No'. As the standards of mechanical accounting continue to improve so the need for detailed checking will correspondingly diminish. Even more than at present the auditor's attention will be focused on the end products of the accounting machines and the wealth and variety of accurate information, produced almost effortlessly, will open up fresh vistas of presentation possibilities. A new era of financial reporting is on the way and it is an opportunity which the accountant as auditor must seize and hold if he is to retain his importance and prestige.

This exciting prospect is perhaps still round the corner (the inevitable always seems nearer than the imponderable) and even further off for the smaller company. It is on these and on the immediate problems of their auditors that Mr G. N. HUNTER, J.P., F.C.A., concentrates in his thoughtful paper given at the recent Oxford Summer Course of The Institute of Chartered Accountants in England and Wales, reproduction of which commenced in our last issue and is concluded elsewhere in this.

Mr HUNTER provides an informed commentary on the first two of the series of statements on auditing produced by the Institute. One, issued in August 1961, deals with general principles and the other, which appeared in March 1962, concentrates on the auditor's duty with regard to stock. Both were acclaimed on publication and many members must be wondering when these forerunners are going to be followed up by others of the same weight and authority.

Mr HUNTER elaborates on four major respects in which Statement **U 1** (the reference is to the classification in the Institute *Members' Handbook*) appears radically to depart from the old-fashioned conception of auditing. The first of these is the duty placed upon the auditor under the 1948 Companies Act to express an opinion as to whether or not the accounts examined by him give a true and fair view. This has changed the purpose of auditing from a negative checking exercise to a positive appraisal of the company's trading and financial position. To accommodate this change of emphasis, audit procedures have had to be streamlined and programmes revised. It is a peculiarity of the profession (or perhaps of some of its clients) that although accountants are remunerated strictly on a time basis they are often expected to assimilate additional responsibilities without making a corresponding adjustment in their charges. They thus become adept at manoeuvring to effect miracles within a given time span without lowering their standards – or increasing their fees.

The second contrast between the old and the new approach to auditing, as noted by Mr HUNTER, is the extent of the auditor's responsibility for the discovery of fraud. Statement **U 1** dismisses the question in three paragraphs but the last of these unambiguously defines the position. Although there is no statutory obligation to search for irregularities and although the honesty of directors and employees may normally be assumed, the possibility of fraud must never be overlooked and any suspicions, once aroused, must be either conclusively allayed or confirmed. Articled clerks sometimes wonder by what unerring instincts their principals, when reviewing an apparently faultless set of audit working papers, often casually place their finger on the one significant flaw. It is the possession of this same cerebral radar equipment which enables a good auditor to sense fraud.

The third and fourth points in connection with Statement **U 1** to which Mr HUNTER makes special reference are related. One is that the auditor should be continuously familiar with the system of internal control in operation. The other is that he should seek to eliminate unnecessary detailed checking. The extent to which detailed checking is 'unnecessary' depends principally on the strength of the client's internal control arrangements. It is important, therefore, that the auditor's review of these should be thorough and that it should be made at the beginning of each audit – interim as well as final. Interim audits are sometimes looked upon as less of a constructive exercise than as an excuse for clearing the office of junior clerks during a quiet spell. This may prove to be the very negation of efficiency if changes in the client's systems, made since the last review of it, render their innocent labours redundant.

Similarly, much needless work may be saved if the auditor acquaints himself with his clients' stocktaking procedures each year 'well in advance of the balance sheet date'. Mr HUNTER states that the district societies are divided on the suggestion, made in the Institute's Statement **U 2**, that auditors may find it helpful occasionally to attend at stocktaking. It is difficult to be dogmatic on this question but there must be few auditors who have not wished on occasions that they knew a little more for themselves about what really goes on 'over in the factory'. A walk round the works before the start of each audit and attendance at stocktaking are two excellent ways of finding out. Indeed, as audits tend to become less of mathematical exercises and more of reasoned appraisals of the state of a company's affairs, such perambulations may become essential to the auditor's full understanding of his client's business.

FINANCE ACT, 1964

Mutual Companies and Tax – I

SECTION 21 of the Finance Act, 1964, was not introduced until the Bill had reached the report stage, but it replaced a clause which had been aimed at imposing tax on the profits of companies and other bodies corporate doing mutual business. That clause gave rise to much criticism and disquiet, not least on the part of members representing the interests of social clubs and the like. In the event, the clause was abandoned and replaced by section 21 which is of much more limited scope. The section provides as it were for a balancing charge on those taxpayers who obtain full deduction for premiums paid to a mutual insurance company, but in effect recover some or all of those premiums when the mutual company is wound up. Its provisions are complicated and can be more easily understood after a review of the history leading up to it.

The story begins with the House of Lords' decision in *New York Life Insurance Co v. Styles* (2 T.C. 460), where membership of a mutual life insurance company was confined to the holders of participating policies. Each year the surplus of receipts over expenses and estimated liabilities was divided among them, either by reducing future premiums or by crediting the holders with a reversionary bonus. It was held that the proportion of the surplus which represented excess premiums was not an assessable profit. This is, of course, rather different from saying that the company did not carry on a trade. Nor was there any real element of tax avoidance; the members were not entitled to deduct the premiums as an expense of any business. In 1926 two cases which came together before Mr Justice ROWLATT raised in acute form the problem which the Revenue saw in a situation where a trader could claim as deductible expenses those premiums which he paid to an insurance company carrying on mutual insurance in which he participated, while the mutual insurance company did not have to pay any tax on any profit which it made from the mutual insurance business. In *Thomas v. Richard Evans & Co Ltd* (11 T.C. 790; 7 A.T.C. 298) the inspector appealed against the Special Commissioners decision that payments of reasonable amount, confined to insurance against liabilities under the Workmen's Compensation Acts, were properly admissible as deductions, notwithstanding that the payments were made to a mutual insurance company in whose business the payer was interested. At the same time (and no doubt as an astute tactical move) in *Jones v. South West Lancashire Coal Owners' Association Ltd* (11 T.C. 790; 7 A.T.C. 298), another inspector appealed against the discharging by the Special Commissioners of Case I assessments on the mutual insurance company in question. The Crown made no secret of the fact that it would prefer to win on the second case, which of course would have established the taxability of incorporated mutual insurance concerns. In the event it lost both, before Mr Justice ROWLATT and again in the Court of Appeal. Thus the premium was a deductible expense in the accounts of the payer but it was not a taxable trading receipt in the accounts of the recipient.

In this conflict, as in any conflict between Crown and taxpayer, the supreme weapon is in the armoury of the Crown: it can change the law in its own favour. However, the exercise of this power still requires some competence in the sphere of draftsmanship. In the Finance Act, 1933, the Crown introduced section 33 (1) which was intended to strike the death blow at the immunity from tax of the profits of mutual trading. Unfortunately its drafting was so inadequate that it failed to change the law. It provided, broadly speaking, that in relation to companies and societies, Case I references to 'profits and gains' should be deemed to include references to:

> 'a profit or surplus arising from transactions of the company or society with its members which would be included in profits or gains . . . if those transactions were transactions with non-members'.

What the draftsmen had failed to grasp was that the immunity did not rest on the fact that the persons dealing with the company were members of the company, but in the fact that they were entitled to the surplus, whether as members or not. Mutuality lies in the fact that there is complete identity between the contributors to the common fund and those who participate in the

surplus. They may or may not be members of the company as such. In the words of Lord MACMILLAN in *C.I.R. v. Ayrshire Employers' Mutual Association Ltd* (27 T.C. 331, at page 347; 25 A.T.C. 103, at page 106):

> 'The Legislature has plainly misfired. Its failure is perhaps less regrettable than it might have been, for the subsection has not the meritorious object of preventing evasion of taxation, but the less laudable design of subjecting to tax as profit what the law has consistently and emphatically declared not to be profit.'

Notwithstanding this dictum, the Royal Commission on Taxation recommended in 1955 that the Legislature should make another attempt to impose taxation on mutual profits. That recommendation might have gone on sharing the oblivion which has been the fate of most of the other recommendations of that Commission, but for the implications of another House of Lords' decision. In 1963 the House held (reversing a majority decision of the Court of Appeal) that a colliery company need not bring in as a trading receipt its share of the surplus on winding up of a mutual insurance company of which the colliery company had been a member (*Stafford Coal & Iron Co Ltd v. Brogan* (41 T.C. 305; 42 A.T.C. 272)). The mutual insurance company was set up by colliery companies in 1934. By 1946, when coal was nationalized, it had built up a surplus of £700,000 which was distributed among the member companies. The Stafford company was still trading, as it also sold bricks, and its trade was treated as one continuing one. Nevertheless the House of Lords held that its share of the surplus ought not to be treated as a trading receipt (on the footing of its being a return of premiums overpaid) but should be treated as a capital receipt in respect of its interest in the mutual insurance company.

Lord DENNING said that to hold thus would provide a remarkably easy way whereby companies could build up capital assets to a tremendous extent at the expense of taxable income. 'All they would have to do is to form a mutual company, pay premiums to it and deduct them from their taxable incomes, and then in due course wind up the mutual company and distribute the reserves to themselves.' This perhaps states the case too widely, for when the paying company seeks to deduct its contribution, it has to satisfy the Revenue that the payment is made wholly and exclusively for the purposes of the payer's trade, and is not capital expenditure. However, these fears evidently found an echo in the Government and steps were immediately taken, not only to avoid this, but also to adopt the Royal Commission's recommendation to tax mutual trading profits. This latter step is now dropped, and section 21 deals purely with the supposed evil thrown up by the *Stafford* case.

The section can operate only where there is (or has been) a body corporate which:

(i) is being or has been wound up or dissolved; and

(ii) has at any time carried on a trade which consists of or includes the conduct of any mutual business (whether confined to members of the body corporate or not) (section 21 (1)).

The general meaning of 'trade' in the Income Tax Acts is well known. For the purposes of section 21 (1) it is cut down by section 21 (10): it does not include a trade of which *all* the profits or gains are chargeable to income tax. In particular it does not include a trade carried on by any registered industrial and provident society. The section does not attempt to define 'mutual business' but directs that it is to include any business of mutual insurance or mutual trading.

Another requisite is that the taxpayer receives money or money's worth which falls into one of the following three categories:

(*a*) it forms part of the assets of the body corporate, 'other than assets representing capital', or

(*b*) it forms part of the consideration for the transfer of the assets of the body corporate (other than assets representing capital) as part of a scheme of amalgamation or reconstruction which involves the winding up of the body corporate; or

(*c*) (i) it consists of the consideration for a transfer or surrender of a right to receive anything falling under paragraph (*a*) or (*b*); and
(ii) it is a receipt which does not give rise to any charge to income tax on the taxpayer apart from section 21.

As regards (*c*), if the transfer or surrender is not at arm's length, money or money's worth taken is treated for tax purposes as being increased to the full value of the right transferred or surrendered (section 21 (2)).

What is meant by the phrase 'assets representing capital'? Presumably what the draftsman had in mind was assets other than what might be regarded as representing revenue reserves in the hands of the body corporate. (*To be concluded.*)

Determining an Efficient Level of Activities

by E. C. D. EVANS, B.Sc.(Econ.), F.A.C.C.A., A.C.I.S., A.M.B.I.M.
Director of Accountancy Studies, Slough College, Bucks

AN organization can either expand, contract, or remain static in size. The static state, whilst theoretically possible, is rarely experienced in practice, as a concern will be found to be either in a process of development and expansion or temporary contraction. Where a state of permanent contraction arises, it can only mean that the nature of the causes precludes the possibility of correcting this and the concern will ultimately face collapse.

In these days of population growth and increasingly higher standards of living which make greater demands upon industry, the emphasis is upon expansion. New companies are formed and the great majority of others find themselves in some degree in a continuous process of development and growth. Of course, there may well be pauses in this progress over the years, but the long-term pattern of expansion remains.

Psychological Factors

Although the growth of an organization is a normal process, the problems it will bring are invariably difficult ones to resolve, particularly as the future prosperity of the concern depends so much upon the right decisions being made at the right time. An organization may have periods of rapid expansion, or be subject to a gentle, steady growth which is obviously easier to manage, but all expansion creates pressures upon an organization so that the rate of development and how far this should go in a particular period of time will inevitably have repercussions upon the internal organization and financial structure.

Many businesses start in quite a small way and are carried along for a while on the crest of a wave of initial advantages of technical and sales outlets. They then find that they have graduated from a profitable small business to a not-so-profitable medium-sized firm and begin to seek reasons for the falling off of profit margins. Very often the business is soundly based with a good potential, but the proprietors have failed to face the psychological factor of adaptation from a small to a medium-sized firm; whilst, for example, the management may be concerned with fostering increased turnover, it is mentally incapable of comprehending the significance of this on the working of the organization. A 25 per cent increase in the volume of business, for instance, does not necessarily mean merely an addition to the level of activities, but may well create conditions which have not prevailed before and require a measure of reconstruction in the organization to meet these new circumstances.

The position is not difficult to understand. For example, a business may have started with a small capital structure contributed privately by the proprietors and have one or two stalwart key employees. As the firm grows, substantial additional capital may be required and yet the proprietors may be unwilling to face borrowing from outside because it will almost certainly mean sharing of control and some loss of sovereignty over a business which they conceived and nursed along; the result is an acute shortage of working capital. Again, an employee who started as an operative and has since made an excellent chargehand, is not necessarily the man to take charge of a growing machine shop which calls for technical and managerial expertise.

In short, the proprietors of a growing organization need to possess the knowledge and flexibility of outlook to recognize in good time when the stage for changes has been reached.

Level of Operations

A business concern may expand fast or slowly according to circumstances, but at any one time there will be a level of operations consistent with a viable competitive efficient organization.

The organizational structure of a firm tends to advance in staircase fashion, that is, by steps rather than smooth progression. For example, in a small concern several office staff may work satisfactorily under the supervision of a senior clerk, and then the day arrives when it is necessary to have a full-time accountant; or to take a more pronounced example, premises acquired some years previously have to be replaced by larger

---

The author is the director of the Management Accounting Research Unit at Slough College and author of a series of short books under the title of *The Pillars of Management Accounting.*

and more up-to-date buildings requiring considerably increased capital outlay.

A decision 'to make' instead of buying-in partly or wholly finished components will require additional capital for plant and work in progress whilst a change in the terms of trade, say, to extend credit to customers or to go out for a new class of customer which requires extended credit, calls for additional capital. Similarly, a decision to extend stock-carrying to meet customers' orders at shorter notice will require additional capital.

Planning for Growth

As already indicated, a business grows in stages, each stage representing a distinct step-up in the size of the firm to meet an increased volume of trade. When it becomes apparent that the level of operations is over-straining the present structure, the problem is to determine a new level of operations which will give reasonable efficiency and return on the capital employed. The factors determining the level of operations are:

(*a*) an efficient service to customers to retain their goodwill;

(*b*) satisfactory pay, conditions of service, and promotion prospects for staff to enable suitable staff to be obtained and to encourage them to further the interests of the firm;

(*c*) to be able to take advantage of any technological developments;

(*d*) to provide an adequate and competitive return on capital employed.

The approach to the determination of a level of operations is through a system of forward planning and management accounting whereby budgets for sales and expenses are prepared for several years ahead – the first year in detail, the others in outline form; and, similarly, projected *pro forma* balance sheets at the end of each budget period. The forecasted revenue statements will provide information as to the trend of income, expenses, and profits, whilst the *pro forma* balance sheets will give a picture as to the trend of assets and liabilities and the degree of solvency at the end of each budget period.

Obviously a system of forward planning and budgetary control is a major exercise in which every aspect of the organization has to be considered: in particular, expected additions to staff, promotions, new salary awards, level of stock-carrying and work in progress, level of debtors, and anticipated disbursements for plant, equipment, and premises. A picture is established for periods ahead, from which it can be seen whether the envisaged development is satisfactory; and arising out of this exercise, annually or half-yearly, it may well be that the trend disclosed does not conform to anticipated progress; and remedial action is required to meet the future development plans.

The establishment of levels of operations at the various stages of development of an organization involves the creation of an 'economic model' for the possible lines of development. Ideally, models would be created to cater for the permutations of all possible circumstances, but in practice this is a most expensive operation and an impossible task for the majority of business concerns which accordingly have to be satisfied with the preparation of two or three forward forecasts for particular avenues of development, using these as a basis for adjustment in the light of prevailing circumstances.

Forward planning is not a 'paper' exercise. To plan ahead requires careful consideration of every aspect of the organization – production, marketing, finance, and administration – to foresee the effect of decisions in terms of employees, physical operations and financial commitments.

The important part which efficient management accounting can play in all this is in providing the medium for translating the many different factors inherent in a planning operation into systematic order, employing the common unit of money; and thus providing a means of forecasting the results of varying lines of action.

The Management Problem

A system of management accounting should provide the necessary flow of informative data which are required as a basis for policy decisions, and whilst the establishment of such a system requires careful thought, knowledge, and experience, it is not the major issue in this connection. The real problem is that as an organization expands, the proprietors and managers often tend to become mesmerized by the end-targets of production output and turnover. It is not unknown for management to go to great lengths to get increased turnover, when an internal reappraisal resulting in improved efficiency and lower costs would increase the profitability more readily than the additional turnover. Fighting for additional sales comes more naturally and is psychologically more satisfying to manage-

ment than facing up to internal organizational problems which may have accumulated over the years as a result of piecemeal additions to the scale of operations.

Expansion is a natural process of a healthy organization but to be worth while and not merely an end in itself, it must be tempered with sound judgement as to how far the organization can operate efficiently with its existing financial and employee structure, equipment and methods. The management problem is to be able to appreciate that significant changes in the scale of activity necessitates a re-examination of the whole structure of the business – production, marketing, and financial – to ensure that the structure is not out of step with the level of operations; to this end the management accountant can make a vital contribution.

The Changing Pattern of Auditing
with Particular Reference to Private Companies – II

by G. N. HUNTER, J.P., F.C.A.

VII The Auditors' Responsibility in regard to Stock-in-trade

IN a leading article welcoming the Council's second statement on auditing, Statement **U 2** on stock-in-trade and work in progress, *The Accountant* (March 24th, 1962) stated that 'much water has flowed past the Kingston Cotton Mills in the last sixty-six years and the celebrated words of the presiding judge in the immortal case connected with that concern are no longer fully definitive of the auditors' duties with regard to stock'.

66. Statement **U 2** was issued in March 1962, only seven months after Statement **U 1**, and perhaps some members of the Institute were mildly astonished that this modern statement on the responsibilities of auditors in regard to stock-in-trade should, like Statement **U 1**, include in its opening paragraphs quotations from the judgment of Lord Justice Lopes in 1896. (It was, too, perhaps a relief to some members that the Council excluded from the selected quotations the canine analogy of watchdogs and bloodhounds!)

67. The Council has given considerable guidance to members in recent years on problems connected with stock-in-trade. Statement **U 2** must be read in conjunction with recommendation **N 22** issued in November 1960 on 'Treatment of stock-in-trade and work in progress in financial accounts', which replaced the earlier recommendation 10 issued in June 1945 and entitled 'The valuation of stock-in-trade'. In addition the Council published in May 1961, in June 1961 and in November 1962 statements (reproduced as **Q 12** in the *Members' Handbook*) containing details of correspondence with the Board of Inland Revenue regarding the Revenue's attitude to methods (or to changes in methods) of computing the amount at which stock-in-trade and work in progress is included in financial accounts. Some will remember, too, that the Council issued to all members of the Institute in 1951 the paper on 'Stock-in-trade and the auditor' which had been presented to the Summer Course at Oxford in 1949 by Mr G. G. G. Goult, F.C.A.

68. Statement **U 2** recognizes at once that it is no part of the auditors' duty to take stock but that it is the auditors' duty to arrive at an independent professional opinion on whether the directors have discharged their responsibilities to ensure that the amount to be carried forward in the balance sheet in respect of stock-in-trade has been properly determined.

69. Statement **U 2** also serves as an illustration of the application of the general principles of auditing outlined in Statement **U 1**. In assessing, probably well in advance of the balance sheet date, the procedure adopted by the directors to ascertain and record the quantity and the condition of stock-in-trade, the auditors should ascertain to what extent the procedure is safe-guarded by the application of a proper system of internal control; and the tests of the procedure should normally involve examination in depth.

70. The practice is commended of obtaining from a director or other responsible official a stock certificate at each balance sheet date. Personally I have some reservation as to whether the usual form of signed stock certificate is always desirable as it may not be altogether conducive to establishing the correct relationship between directors and auditors. However, I agree it is normally helpful for both the directors and auditors to have in writing notes of the matters on which the auditors require assurances, so that it is clearly established the directors are fully appreciative of their responsibility to ensure that all stock is accounted for, that the stock on the inventories in fact existed, and that the stock is stated in the accounts at an amount computed on a recognized basis which is consistently applied.

71. In some of the District Societies of the Institute doubts were expressed about the wisdom of

The concluding part of a paper presented at the Oxford Summer Course of The Institute of Chartered Accountants in England and Wales on July 11th.

referring in Statement U 2 to the advisability of auditors attending occasionally to observe the actual stocktaking. On the other hand others, who consider occasional attendance at stocktaking affords auditors a valuable opportunity to acquaint themselves with the procedures, have been critical that this particular suggestion is not recommended in more forceful terms in Statement U 2, although it is recognized that the management must clearly understand the attendance of auditors at stocktaking is to enable the auditors to consider the adequacy and effectiveness of the procedure and not to relieve the management of any responsibility.

72. Statement U 2 disclaims any attempt to supply an exhaustive list of examinations and tests but it certainly serves as a clear and comprehensive *aide-mémoire* of points requiring consideration when the audit procedures in regard to stock-in-trade are being planned.

VIII The Qualifications of the Auditors of Private Companies

73. No review of present-day considerations affecting the qualifications of auditors of private companies would be complete without reference to two changes which are recommended by the Jenkins Committee; these changes arise out of the recommendation that the distinction between the exempt and non-exempt private company should be withdrawn.

74. The first of the proposed changes is that the auditors of every company should be qualified under section 161 (1) of the Companies Act, 1948. In this connection is is interesting to note the Jenkins Committee reported that the Board of Trade had evidence indicating some 90 per cent of all exempt private companies are now audited by auditors so qualified and that the Institute had given assurance that qualified accountants would be able to deal with the additional work if this proposal came into effect.

75. The second of the proposed changes is that it should no longer be possible for a partner of a director or other officer of the company to be appointed auditor. This proposal was in accord with the views of some members of the Council of the Institute but contrary to the views of the majority of the Council who regarded the existing exemption in favour of a partner of a director or other officer as a great benefit to many exempt companies and a benefit which had not been subject to any abuse.

76. My personal view is that the right course now would be to accept without question the impartial recommendation of the Jenkins Committee which concluded that the partner of a director, officer, or servant of a company should as a matter of principle be prohibited from being appointed its auditor.

77. It is not in my view a corollary of that recommendation that the auditors of a company should be precluded from acting as financial advisers to the company or assisting the company in other ways. Indeed experience suggests that in appropriate cases effective audit procedures can be facilitated if the auditors attend board meetings in a capacity as financial advisers provided their independence is not thereby impaired.

IX Reports of the Auditors of Companies

78. In a paper submitted to the Institute's 1949 autumn meeting fifteen months after the Companies Act, 1948, Sir Thomas Robson criticized the requirements of the Ninth Schedule which resulted in the auditors' report becoming unduly long. 'To read a report', said Sir Thomas, 'which includes references to consolidated accounts and contains some qualifications is a breath-taking experience.'

79. In the Council's booklet O 2 on 'The Companies Act, 1948', the form of report suggested for general use where the auditors have no reservations and where no group accounts are submitted was on the following lines:

> 'We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company so far as appears from our examination of those books. We have examined the above balance sheet and annexed profit and loss account which are in agreement with the books of account. In our opinion and to the best of our information and according to the explanations given us the said accounts give the information required by the Companies Act, 1948, in the manner so required and the balance sheet gives a true and fair view of the state of the company's affairs as at December 31st, 1963, and the profit and loss account gives a true and fair view of the profit for the year ended on that date.'

80. It seems to me that this form of report, which consists incidentally of 148 words and follows closely the order and the terminology of the Ninth Schedule, may have been a contributory factor to some of the misunderstandings which have existed concerning the main purpose of an audit because the references to the true and fair view are at the end of a lengthy list of matters reported by the auditors.

81. The points made by Sir Thomas in regard to the auditors' report in 1949 were incorporated in the Institute's submissions to the Jenkins Committee in 1960. In those submissions it is again emphasized that the essential duty resting upon auditors is to report whether in their opinion the accounts present a true and fair view, and it is suggested that the auditors should report their opinion on the true and fair view without making any additional statements unless they are dissatisfied about the other matters mentioned in the Ninth Schedule.

82. The Jenkins Committee has largely accepted the Institute's submissions but it seems unnecessary to wait until the recommendations of that Committee are adopted before making use of a shortened form of report, particularly since the Council of the

Institute made it clear in 1959 that each member may use his own judgement in deciding upon the wording of his report.

83. An examination of forms of report in current use indicates that a report on the following lines, which has the particular merit of referring at the outset to the true and fair view and which consists of only seventy-two words, should now be regarded as acceptable:

> 'In our opinion the annexed accounts give a true and fair view of the state of affairs of the company at December 31st, 1963, and of the profit for the year ended on that date.
>
> 'We have obtained all the information and explanations which we considered necessary. In our opinion the company has kept proper books and the annexed accounts which are in agreement with them comply with the Companies Act, 1948.'

In this shortened form any qualifications due to failure of the accounts to show a true and fair view would precede the wording quoted which might then require a minor amendment by the addition of such introductory words as 'apart from this'. Some may consider the report could be further abbreviated by the omission of the words 'in our opinion' and (because the report obviously relates to the annexed accounts) by the omission of the words 'at December 31st, 1963' and 'ended on that date'.

84. Particularly in the case of a private company it is important to bear in mind that if the auditors consider the accounts are inadequate because the requirements of the Ninth Schedule have not been fulfilled in any material respect it is not sufficient to report on the inadequacy to the directors even though the directors may comprise all the members of the company; in such circumstances (apparently in spite of the decision in the 1936 case of *Pendleburys Ltd v. Ellis Green & Co*) Statement **U 1** indicates it is essential that the qualification should be included in the report which is addressed to the members.

85. In the case of public companies, detailed reports on profits and losses, assets and liabilities, and other matters, may be required from the auditors for inclusion in prospectuses, offers for sale and similar documents. Special considerations arise in preparing such reports and careful judgement must be made by the auditors particularly in deciding upon the adjustments to be made in arriving at the amounts of profits or losses included in the report; such factors as rates of taxation, methods of calculating depreciation or computing the amount of stock-in-trade, or non-recurring expenditure frequently give rise in modern business conditions to problems in deciding upon the adjustments to be made. Guidance on these and other problems affecting reports for prospectuses has been given in the Institute's recommendations **N 13** and **N 16**, entitled 'Accountants' reports for prospectuses'.

X Other Reports of Auditors and Accountants

86. It will be observed that the foregoing comments relating to auditors' reports all refer to the requirements of the Companies Act, 1948. The Council has also given consideration from time to time to the reports required from auditors in other circumstances.

87. In regard to building societies the Council had occasion severely to criticize in 1959 and 1960 the then statutory obligations of the auditors to certify the accounts as 'correct, duly vouched, and in accordance with law' and pointed out that each of those three expressions were capable of widely differing interpretations. Subsequently the Building Societies Act, 1960, placed entirely new statutory requirements on the directors and auditors in relation to accounts and the Council of the Institute issued at the end of 1960, a statement for the guidance of members engaged in the audits of building societies; a new edition of this statement was issued in 1962 as Statement **U 3** for inclusion in the *Members' Handbook* following the consolidation of building society legislation into the Building Societies Act, 1962. It is noteworthy that under the new legislation a suitable form of auditors' report, which implements the Institute's recommendation that it should contain the auditors' opinion as to whether the accounts present a true and fair view, is as follows:

> 'The foregoing balance sheet and revenue and appropriation account are properly drawn up in accordance with the requirements of the Building Societies Act, 1962, and the regulations made thereunder. In our opinion they give respectively a true and fair view of the state of the society's affairs as on December 31st, 1963, and of its income and expenditure for the financial year ended on that date.'

88. The phrase, 'correct, duly vouched, and in accordance with law' still appears in auditors' reports under the Friendly Societies Act and the Industrial and Provident Societies Act. In a memorandum to the Chancellor of the Exchequer in 1962 the Council submitted that the audit provisions of those Acts should be brought up to date on lines similar to the relevant sections of the Companies Act, 1948, and the Building Societies Act, 1962.

89. The modern view as to the extent of the responsibility of accountants is also reflected in other forms of report currently in use, as for example the form of the accountants' report on the accounts of nationalized industries and the accounts of members of the Stock Exchange, London. On the other hand some may consider there is scope for improvement in the form of accountants' certificate of compliance by a solicitor with the Solicitors' Accounts Rules.

90. In the Statement **S 4** issued by the Council in 1955 on 'Reports on accounts of sole traders and partnerships', the attention of members was drawn to the scope for misunderstanding which may occur if, for example, accounts are issued by members in folders bearing their names and qualifications without any report indicating the extent to which the accounts may be accepted as reliable. On occasions when such accounts have been subject to a full audit,

the auditors' report should state whether in their opinion they present a true and fair view subject to any reservations which may be necessary. Where a full audit has not been carried out, the report should be in such terms as will ensure the fact that the accounts have been prepared by chartered accountants will not be taken as implying the accounts are more reliable than the circumstances warrant.

91. In another statement entitled 'Certificates required by trade associations and other bodies', which was published by the Council in 1959 and which forms section **P 4** in the *Members' Handbook*, the Council has criticized the form of certificate which accountants are sometimes asked to sign in respect of traders' returns relating to such matters as subsidies, rebates, quotas, levies, and trade statistics. The description 'certificate' probably indicates a lack of appreciation of the extent of the responsibility which can be accepted by accountants. Requests for accountants to certify that statistical details are in accordance with records may well overlook the disproportionate expense involved in detailed checking. Requests for accountants to certify that factual statements are correct probably overlook that the accountants cannot have the necessary first-hand technical knowledge. On the other hand accountants can render a most useful service by examining the records on which a return is based, making such tests as they consider necessary, and reporting their opinions in appropriate terms on the relevant details of the return. In practice the requirements of the trade association or public or other body can normally be satisfied if the wording of the accountants' report is amended to correct its unsuitability, but occasions may occur when the accountants cannot sign a form of certificate because they are unable to obtain agreement of amendments necessary to make the form suitable.

92. It is essential that no misunderstanding should arise between accountants and their clients (or others to whom their reports may be addressed) as to the degree of responsibility accepted by the accountants. It is also important that any third parties who may see the reports should not misjudge the responsibility of the accountants.

93. In an article published in *Accountancy* for October 1963 under the intriguing title 'Ginger beer, prickly pants and the auditor', Mr E. J. Newman, M.A., F.C.A., discussed certain legal decisions relative to the duty of care towards third parties. In particular Mr Newman reminds readers of a statement made in the House of Lords by Lord Morris in *Hedley Byrne & Co Ltd v. Heller & Partners Ltd* (1963) that 'it should now be regarded as settled that if someone possessed of a special skill undertakes, quite irrespective of contract, to apply that skill for the assistance of another person who relies on such skill, a duty of care will arise'.

94. The case of *Hedley Byrne & Co Ltd v. Heller & Partners Ltd* was concerned with a banker's reference. To what extent this case affects the responsibilities of auditors is a matter for legal advice, but in any event the judgments in the House of Lords serve as a reminder of the importance of avoiding any misunderstandings as to the responsibilities accepted by the accountants and auditors.

XI The Auditors' View of Auditing

95. The Council's view of the importance of auditing is made quite clear in the opening words of Statement **U 1**: 'Auditing is an important professional task carrying heavy responsibility and calling for commensurate skill and judgement'. The extent to which individual firms of chartered accountants accept this view is perhaps indicated by the attention given to organizing their audits more efficiently.

96. The fact that many firms still devote to audits considerably more time than to other work means correspondingly greater financial benefit can be obtained by increased efficiency in the conduct of audits. The practice of computing fees by reference to the time necessarily required for the audit means that efficiency is essential in the interest of clients. The elimination of unnecessary detailed checking should normally result in the proportion of the total time on the audit represented by the time of qualified staff being greater so that the cost of time wasted will also be greater.

97. Time can be saved and the assessment of the examinations undertaken during the audit facilitated by ensuring a high standard is maintained in the clarity of the working papers on the lines suggested by Mr S. N. Duncan, F.C.A., in the paper on 'An accountant's working papers' presented to the Institute's Summer Course at Oxford in 1951. The need to incorporate in the records of many audits an internal control questionnaire has in no way diminished the need to maintain a clear and concise audit programme.

98. A proper view of auditing is perhaps stimulated best of all by an appreciation of the significance of auditing under the Companies Acts, because the development of trade and industry in the United Kingdom has to a considerable extent been dependent upon the investment of capital by shareholders in limited companies; that investment has been dependent upon directors accounting for their stewardship by presenting to shareholders annual accounts accompanied by a report on those accounts by an independent auditor. It can therefore perhaps be fairly claimed that auditing has been a key to commercial prosperity, and that auditing has thus been a significant factor in creating the conditions which afford the opportunities for chartered accountants in practice to provide other services, for example as financial advisers and taxation consultants, and for other chartered accountants to give full-time service in commercial concerns.

99. Such is the perspective in which the changing pattern in auditing should be studied. It is vital that chartered accountants should maintain a true and fair view of the importance of their audits. (*Concluded.*)

Weekly Notes

SYNOPSIS OF THE FINANCE AND INCOME TAX MANAGEMENT ACTS

Following last year's innovation of a supplement to *The Accountant* of November 23rd providing a synopsis of the Finance Act, 1963, a similar synopsis of this year's Finance Act, and, in addition, the Income Tax Management Act, 1964, has been compiled and is presented as a supplement with this issue. The synopsis is designed to serve as an extended index to the Acts for the busy practitioner or business man, enabling him to refer immediately to the relevant texts.

The supplement which is printed on distinctively coloured durable paper appears at the centre of this issue and, may easily be extracted for reference from the body of the journal.

THE INSTITUTE'S EXAMINATIONS

A TOTAL of 3,959 candidates sat for the May examinations of The Institute of Chartered Accountants in England and Wales. Of the 1,768 candidates in the Final examination, 821 (46·4 per cent) passed and 947 failed; in the November 1963 examination 944 (48·8 per cent) passed and 992 failed.

The First Certificate of Merit, the Institute Prize, the W. B. Peat Medal and Prize, the Frederick Whinney Prize and the Plender Prizes for the papers on Advanced Accounting (Part II), general financial knowledge, cost and management accounting and English Law (Part I) were won by Mr Charles Brandon Gough, of London. The Second Certificate of Merit and the Walter Knox Scholarship were won by Mr Alan Charles Langridge, also of London.

In the Intermediate, there were 2,191 candidates, of whom 1,100 (50·2 per cent) passed, and 1,091 failed; in the November 1963 examination 1,215 (47·3 per cent) passed and 1,355 failed. The First Certificate of Merit, the Institute Prize, the Tom Walton Prize, the Frederick Whinney Prize and the Plender Prize for the paper on general commercial knowledge were won by Mr John Derek Bee, of Preston. The Second Certificate of Merit, the Robert Fletcher Prize and the Plender Prize for the paper on book-keeping and accounts (partnership) were won by Mr Alan Victor Towers, of Oxford.

A full list of the successful candidates appears elsewhere in this issue.

AUDITORS AND THE LOCAL GOVERNMENT ACT, 1933

IN the report of the August meeting of the Council of the English Institute, on other pages in this issue, reference is made to advice which the Ministry of Housing and Local Government has given to the Institute on the question whether the auditor to a company can thereby be said to be 'in the employment of' that company within the meaning of section 76 (2) (*b*) of the Local Government Act, 1933. Arguing by analogy with the position in relation to the provisions of the Companies Act, 1948, the Ministry is satisfied that an auditor is not 'in the employment of' the company in which he holds that office. This is contrary to the advice given by counsel to the Institute, but no doubt it can be acted upon. Accordingly, an accountant member of a local authority which does business with a company of which he is auditor should not on that score be in any danger of being automatically treated as having a pecuniary interest in the contracts.

RATING RELIEF

THE Institute of Municipal Treasurers and Accountants have just conducted a survey of 275 local authorities of all types to see what effect the Rating (Interim) Relief Act, passed earlier this year, is having. It shows that these authorities have received 11,709 applications which represents less than 0·4 per cent of the total number of domestic properties in these areas and many of these applicants did not meet the statutory requirements for eligibility for relief. A summary of the replies is set out below:

Number of domestic properties	3,210,905
Applications received to date	11,709
Applications considered to date	10,676
Number granted relief	4,823
Total relief given	£34,179
Relief given to individual ratepayers:	
Less than £5	1,999
More than £5 less than £10	1,596
,, ,, £10 ,, ,, £15	923
,, ,, £15 ,, ,, £20	226
,, ,, £20	79

Ratepayers in Bournemouth represent over one-half of the total number who have been granted relief (4,823) and have received two-thirds of the total amount of relief given (£34,179) by the 275 authorities.

The Act was, of course, passed to enable authorities to give relief to ratepayers who were suffering financial hardship as a result of rate increases. In order to obtain relief ratepayers need to show, first, that their rate bill for 1964–65 represents an increase of 25 per cent (or £5 if this is greater) on that for 1962–63, and secondly, that the increase causes them financial hardship. The determination of whether hardship is being suffered is left to the discretion of the rating authority. If the ratepayer meets both requirements he can then be given the relief up to an amount representing 25 per cent (or £5 if this is greater) of his 1962–63 rate bill.

The following is an example of the type of scheme which has been introduced to determine hardship. In exercising its powers under the Act, the Council has decided that, as a general rule, no relief will be considered in cases where (i) occupation of the premises

commenced after March 31st, 1963; (ii) the rates currently payable are less than 5 per cent of gross household income; (iii) the ratepayer is in receipt of national assistance. Broadly speaking, the intention of the Act is to assist households where, after meeting unavoidable financial commitments, the available income is insufficient to meet subsistence requirements. For this purpose, the Council have decided to use the following scale of annual allowances as a guide with which to measure the adequacy of such available income, and subject to the statutory maximum, consideration will normally be given to granting relief to the extent of any deficiency: single person who is a householder, £200; married couple, one of whom is a householder, £350; other members of the households: age 21 or over, £145; age 18 but less than 21, £115; 16 but less than 18, £100; 11 but less than 16, £75; 5 but less than 11, £60; under 5 years, £50.

Since the figures in the I.M.T.A. rating survey are derived from about a one in five sample of domestic properties and the report gives no indication of how the sample of 275 (out of some 1,500) rating authorities was drawn, it would be unwise, as well as premature at this early stage, to draw any firm conclusions from them.

The impact of the revaluation was concentrated on particular classes of domestic property and more especially the worst effects were restricted to a relatively few areas. The tiny percentage, i.e. 0·4, of applications for relief out of the 3·2 million properties covered in the sample may be due to the inadequacy of the sample. In fact, however, it is more likely to reflect the highly localized nature of the problem.

The solitary example cited of the standards applied to measure hardship gives little guide to standards employed throughout the country. In any case, more information is needed as to the meaning of 'unavoidable financial commitments' in determining to what extent the remaining gross household income is adequate. A more comprehensive survey would perhaps be rather more revealing.

STOCK EXCHANGE FEDERATION

THE third interim report of the Committee on the Co-ordination of the Stock Exchanges deals mainly with representations made by members of the London Stock Exchange, of the Associated Stock Exchanges and the Provincial Brokers Stock Exchange to the proposals put forward in the second interim report issued last February.

Representations on some of the points then made have been strong – particularly on the recommendation that as from a date ten years after the formation of the federation, dual capacity (jobber acting as broker and vice-versa) should cease. From the provinces, the point was made that a firm could not live there by jobbing alone; while in London the view was given that federation would not be supported unless steps were taken to limit jobbing by country firms. The Committee hold to their recommendation but with the very considerable difference that they do not now suggest a date by which it should be put into operation. The separation of jobbing and broking business is recommended. The Committee has not altered its former recommendation that one-man firms must cease trading as such five years after the inception of the federation. The third interim report, in dealing largely with representations made on the second report's recommendations, may seem to suggest general hostility in London and the provinces to federation as such, but that would be an entirely wrong impression. In fact, progress toward stock exchange federation has been substantial and a draft constitution is to be circulated later this year.

RESALE PRICES ACT, 1964

THE Resale Prices Act, 1964, became law on July 16th, though it does not come into force for three months and there will then be a further period of three months during which those adhering to R.P.M. will be able to register and such manufacturers will be able to continue to fix their prices until their cases are heard. If anyone has failed to register after that three-month period, however, price fixing activities become illegal.

It took but little more than six months from the decision to introduce a Bill to enactment after a short but controversial passage which has involved the consideration of about one hundred and fifty amendments.

Much of the meaning of the Act has to be clarified by the Court. Under the Act maintaining resale prices becomes illegal. It applies to patented articles as it does to other goods. Subject to the provisions of the Act, the Restrictive Practices Court may, on reference by the Registrar of Restrictive Trade Agreements, direct that goods of any class specified in an order may be exempt from the provisions of the Act.

Although some manufacturers may immediately dismantle their R.P.M. contracts, it is likely to be some time before the effects of the Act work themselves out in the distribution system. However, it is on the eventuality that the distribution system will be made more efficient that the Act will be judged. Any sudden reduction in retail prices following the introduction of the Act is unlikely to take place for much political capital to be made out of the situation at the forthcoming General Election.

MERCHANTS ON PROSPECTS

THE Association of British Chambers of Commerce have once again questioned merchants about their views on business prospects. The survey was conducted among 290 merchant firms with combined sales of about £440 million of which £290 million were exports.

The main findings of the survey were, first, that

larger companies are more optimistic about export prospects than smaller concerns, they also expect prices to rise; secondly, the degree of optimism is very similar to that shown in the last survey conducted in April and thirdly, new import orders are expected to increase, with only a small rise in prices.

All trade groups expect an increase in export business and in most categories more merchants expect prices to rise rather than fall. A lengthening of delivery dates is expected among those handling engineering, manufactured chemicals and other manufacturing groups. In other groups delivery is expected to speed up. Australia and New Zealand are the only markets in which all trades report improving prospects, but there is maintained confidence in Western European markets except in textiles and clothing. Continuing depressing trade prospects are reported from India, Pakistan and Ceylon. Elsewhere in South-east Asia and in Japan only engineering products and manufactured chemicals are expected to improve.

There is, therefore, an expectation of higher imports and exports. Like most other organizations which have given a composite opinion of the immediate future, the merchants are confident about business prospects; but they clearly hold out little expectation of a substantial change in the terms of trade or a halt in the rising import bill, either of which might bring some relief to the worsening balance of payments position for the country.

This is My Life . . .

by An Industrious Accountant

CHAPTER 237

WHEN I was first appointed to my present post I was meticulous about our outgoing correspondence. I used to initial the duplicate copy of each of my letters, for example. When, as sometimes happened, additional copies were to be distributed to other members of the staff, these also were carefully initialed. Our practice was to type the other recipients' names under a heading c.s.t. (standing for Copy Sent To) and circulate them promptly to optimize the spread of information.

Actually, this c.s.t. system is appallingly liable to abuse. At one stage our personnel director used to distribute reams of circulars to all departmental heads, with numerous extra copies to pass down the line, about every trivial rotation of staff or new appointment, and so on. He saved himself work by having a rubber stamp with a facsimile of his initials in monogram form which his assistant impressed, and another reading 'Dictated but not read' above a typed signature, which his secretary used when Prinny was busy. This latter, I may say, was regarded with extreme distaste by his colleagues for reasons too obvious to mention. Finally we ganged up on him deliberately. We waited until we had accumulated over a period about half a dozen such missives with minor mistakes, and then quoted them, queried them, or operated them on every possible occasion. He had eleven telephone calls one morning from blandly helpful friends anxious to advise him of his typing errors; each time they stressed their interest in his, ah, unusual, ah, labour-saving rubber-stamp gimmick. He took the hint and dropped it quick.

I've ceased to initial my duplicate copies these years past; it's just a matter of relying on one's secretary.

One day I went out to her to make a last-minute correction and noticed a second duplicate copy in pale-blue on her machine. Query revealed that every letter in our department, and indeed in most of the others, had varicoloured second copies. The wide-flung door of a steel cabinet revealed a stack of bulging box files covering the preceding four years. 'Previous years are packed in the records room', explained my secretary helpfully. 'Your predecessor always insisted on chronological records; he told me to use pink for taxation correspondence and green for shareholders, to help reference back.'

Apparently, nobody was prepared to rely on the ordinary filing system.

There was a weird fascination in sampling these old box files. All the minutiae of the day's work and thoughts were revealed. All the hasty notes that most executives sign and forget were preserved for posterity; the confirmations of appointments or the hotel-bookings that scarcely merited one duplicate had been honoured with two. The cost of the extra handling and filing and carbon-paper must have mounted to quite a sum. But why? Why on earth maintain a duplicate system?

Later discussions elicited the story that my predecessor had a passion for knowing what went on. His subordinates' duplicates were, by his strict order, mingled with his own. On return from holiday, for example, he used to go through the current file to brief himself fully. When incoming post contained a reference to 'yours of the third ultimo' he could spot-check the file to ensure that it was complete, and that nobody was holding out on him. It was really a most efficient system, provided, of course, you didn't rely on your subordinates to keep you in the picture, or didn't trust their efficiency.

Well, I sampled a couple of the older box files for curiosity's sake, tearing out the bulk of the copies and leaving the significant items, to gauge whether the system was worth preserving in modified form. It wasn't. Every last colour in the spectrum went to the backyard incinerator that evening. I've never had reason to need chronological files from that day to this.

Finance and Commerce

Americana

THIS week's reprint from the accounts of The De La Rue Co Ltd does not convey the immediate impression of Americana presented by the report and accounts in the original. The layout, the letterpress, the style and information all *seemed* American when we began to scan the report through from the front cover. It was not, however, until the last page was reached that the already dropping penny finally dropped when we read that 'This document was designed and produced by Thos De La Rue, Inc., 20 Exchange Place, New York, N.Y.' The fact that the report is so designed and produced tends to emphasize the international character of the De La Rue organization and the international theme threads through much of what used to be called the 'extra statutory' information.

Sales, capital employed, the number of employees and the number of shares held, for example, are provided under the headings 'The World' and then broken down into United Kingdom and Western Europe, Asia and Far East, Australasia, The Americas, Africa, and finally, Middle East, U.S.S.R. and Eastern Europe.

Scattered

The American style of company reporting is seen in the scattering of information throughout the report. 'Salient features for shareholders' comes early in the report, before the chairman's review and breaks down group turnover into home, export and overseas companies' sales, besides showing profits as a percentage of capital employed and as a percentage of equity interest, and also as cover for the equity dividend.

Within the body of the chairman's review, turnover and profits (with comparisons) are split between Formica International Ltd, Thomas De La Rue International Ltd, Thomas Potterton Ltd and Frigistor Group (European Interests). Also in the body of the review there is a five-year summary of 'Source and use of total funds'.

After the chairman's review comes the directors' report followed by the plan of the group organization – a list of parent, subsidiary and associated companies with their directors – then 'The World' breakdown already mentioned, followed by 'Financial information 1955–64' which again quotes turnover (broken down), profits, capital employed, employment of capital, and profit and earnings percentages, but this time taking the survey over ten years. By the side of the last mentioned tables, capital employed and group sales are also shown in graph form.

Acknowledgement

All this, as one may imagine, takes up a lot of space and the consolidated profit and loss account finally makes its belated appearance on page 22 with notes opposite. The two balance sheets are left and right of a three-page opening, the third being a flap page, with the notes in the centre.

There is no doubt that the report contains a welter of information but there is also a certain amount of duplication and a certain lack of co-ordination in the presentation. Quickly it must be added that De La Rue does provide all this essential information and provides it to a far greater degree than do the general run of companies. But the American emphasis in the De La Rue presentation does somehow seem odd, although probably not to the holders of the 16,441 shares of the company in 'The Americas'. There are 11,055,535 shares held in the United Kingdom and Western Europe.

Major Developments

There are six main aspects of the De La Rue group. Thomas De La Rue International Ltd is concerned with the original security printing and playing card interest; Formica International Ltd is self explanatory; Thomas Potterton Ltd is in heating equipment; Frigistor Holdings Ltd is a new-comer to the group and is concerned with a new thermoelectric cooling device. The De La Rue Finance Co Ltd assists the marketing activities of group companies, and finally, there is De La Rue Bull Machines Ltd, the computer company in association with Compagnie des Machines Bull.

Major developments in all these areas led to quite substantial changes in this year's balance sheet. Of the £5 million increase in fixed assets, £3·6 million is mainly connected with a new bank-note factory at Gateshead, expansion by Potterton at Warwick, a new research centre at Maidenhead, Formica expansion in the United Kingdom, France and Australia, and general development in the United States.

Current year spending will not be as heavy as in the past year but is still expected to top the £3 million mark, with the bulk of the spending overseas. The cash flow, plus bank facilities, is expected to cover financial requirements but authorized capital is being increased from £6·5 million to £7·5 million by creating a further two million ordinary 10*s* shares 'to provide for the use of the technique of share exchange in appropriate cases of acquisition'.

THE DE LA RUE COMPANY LIMITED

Salient Features for Shareholders

	1964 £	1963 £
Group Turnover:		
Home Sales	13,050,000	9,861,000
Export Sales from the United Kingdom	7,331,000	6,895,000
Sales by Overseas Companies	10,074,000	7,991,000
	30,455,000	24,747,000
Group Profit before Tax	2,598,000	2,755,000
Profit before Tax as a percentage of Turnover	8.5%	11.1%
Group Capital Employed	20,863,000	15,659,000
Profit before Tax as a percentage of Average Capital Employed	13.8%	19.5%
Profit after Tax attributable to the Ordinary Shareholders	1,038,000	922,000
Ordinary Shareholders Equity Interest	11,138,000	10,548,000
Profit attributable as a percentage of Equity Interest	9.3%	8.7%
Profit attributable to the Ordinary Shareholders	1,038,000	922,000
Ordinary Dividend (*less* Income Tax)		
Interim paid—6d. per share (1963 6d. per share)	170,000	170,000
Final proposed—1/-d. per share (1963 10½d. per share)	340,000	298,000
Total Dividend	510,000	468,000
Cover for Dividend on Ordinary Shares	2.0	2.0

The dividend on the £500,000 3½% Cumulative Preference Stock amounted to £10,719 after deduction of Income Tax and was paid in two instalments on 30th September, 1963 and 31st March, 1964. If the final dividend as proposed is approved by shareholders, warrants will be posted on Thursday, 30th July 1964.

THE DE LA RUE COMPANY LIMITED AND SUBSIDIARY COMPANIES AS AT 28TH MARCH, 1964

CONSOLIDATED BALANCE SHEET

	1964 £	1964 £	1963 £	1963 £
CAPITAL EMPLOYED				
PREFERENCE CAPITAL				
3½% Cumulative Preference Stock		500,000		500,000
ORDINARY SHAREHOLDERS' INTERESTS				
Ordinary Shares of 10/-d. each	5,556,000		5,556,000	
Share Premium Account	—		66,782	
Capital Reserves	1,185,647		807,723	
Undistributed Profits	4,396,557		4,117,160	
		11,138,204		10,547,665
OUTSIDE SHAREHOLDERS' INTERESTS		4,943,259		3,861,742
FUTURE TAXATION		588,000		724,500
LONG TERM LIABILITIES				
5¾% Debenture Stock 1988/93 (Secured)	3,000,000		—	
Unsecured Loans	693,534		25,211	
		3,693,534		25,211
		£20,862,997		£15,659,118
EMPLOYMENT OF CAPITAL				
Land, Buildings, Plant & Equipment	11,700,880		8,085,581	
Licenses, Goodwill, etc.	2,428,547		1,664,563	
Subsidiary Companies not Consolidated	409,869		94,680	
Trade Investments	1,260,119		974,370	
FIXED ASSETS		15,799,415		10,819,194
CURRENT ASSETS				
Stocks	5,599,718		4,946,659	
Debtors and Prepayments including Secured Loan	6,627,475		4,977,605	
Bills Receivable	558,328		1,340,050	
Short Term Deposits	1,297,191		1,094,956	
Cash	676,008		764,745	
	14,758,720		13,124,015	
CURRENT LIABILITIES				
Creditors and Provisions	4,657,296		3,642,902	
Bills Payable	769,753		696,098	
Taxation	553,422		630,963	
Bank Overdrafts and Short Term Loans	3,196,149		2,883,496	
Proposed Dividends:				
The De La Rue Co. Ltd.	340,305		297,767	
Outside Shareholders	178,213		132,865	
	9,695,138		8,284,091	
NET CURRENT ASSETS		5,063,582		4,839,924
		£20,862,997		£15,659,118

A. G. NORMAN
—*Chairman*

I. P. McEWAN
—*Director*

CONSOLIDATED PROFIT AND LOSS ACCOUNT

THE DE LA RUE COMPANY LIMITED AND SUBSIDIARY COMPANIES FOR THE 52 WEEKS ENDED 28TH MARCH, 1964

	1964 £	1964 £	1963 £	1963 £
TRADING PROFIT OF THE GROUP		2,795,407		2,775,195
Interest on Long Term Liabilities	128,963		2,428	
Short Term Interest and Charges *less* Dividends and Interest Received	68,225	197,188	17,648	20,076
GROUP PROFIT BEFORE TAXATION		2,598,219		2,755,119
Taxation		1,025,806		1,421,108
GROUP PROFIT AFTER TAXATION		1,572,413		1,334,011
Profit Attributable to Outside Shareholders		523,801		400,822
PROFIT ATTRIBUTABLE TO THE DE LA RUE COMPANY LIMITED		1,048,612		933,189
Preference Dividend (less Income Tax)		10,719		10,719
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS		1,037,893		922,470
Ordinary Dividend (less Income Tax)				
Interim Paid 6d. per share (1963 6d. per share)	170,152		170,152	
Final Proposed 1/-d. per share (1963 10½d. per share)	340,305	510,457	297,767	467,919
PROFIT RETAINED IN THE GROUP		527,436		454,551
Profit retained in Subsidiary Companies		519,945		440,125
PROFIT RETAINED IN THE DE LA RUE COMPANY LIMITED		7,491		14,426
Undistributed Profits from last year		2,155,498		2,141,072
UNDISTRIBUTED PROFITS per Balance Sheets:				
The De La Rue Co. Ltd.		2,162,989		2,155,498
Subsidiary Companies		2,233,568		1,961,662
The De La Rue Co. Ltd. and Subsidiary Companies		4,396,557		4,117,160

NOTES ON CONSOLIDATED PROFIT AND LOSS ACCOUNT

These notes are part of the Accounts and are given to conform with the requirements of the Companies Act, 1948.

	1964 £	1964 £	1963 £	1963 £
1. THE TRADING PROFIT OF THE GROUP is arrived at after deducting:				
(a) Depreciation		1,051,010		847,952
(b) Remuneration of the Directors of The De La Rue Co. Ltd.—Fees as Directors of the Parent Co.	11,588		10,138	
Remuneration for Management	99,658		86,604	
Pensions	7,954	119,200	7,566	104,308
(c) Auditors Remuneration (United Kingdom Companies)		11,416		9,457
and after adding: Royalties received in respect of previous years		—		150,363

2. INTEREST AND DIVIDENDS:

	1964 £	1963 £
Debenture Interest	122,849	—
Other Long Term Interest	6,114	2,428
	128,963	2,428
Short Term Interest and Charges (Net)	138,181	72,616
Less: Dividends and Interest from Trade Investments	69,956	54,968
	68,225	17,648

3. TAXATION

(a) No provision is made for United Kingdom taxation which might be payable in the event of distribution of profits at present retained in the overseas subsidiaries.

(b) The charge for taxation consists of the following:

	1964 £	1963 £
United Kingdom Taxation		
Income Tax	332,388	576,840
Profits Tax	159,342	258,413
	491,730	835,253
Overseas Taxation	534,076	585,855
	1,025,806	1,421,108

(c) The United Kingdom Taxation charge has been reduced by £287,000 (1963 £146,000) as a result of taxation relief from investment allowances.

In addition, taxation relief to an amount of £80,000 has arisen from the additional annual allowances on Capital Expenditure in Development Areas in the United Kingdom which are in excess of the normal allowances granted in other areas. This amount has not been deducted from the current taxation charge but has been carried forward and has been included in "Future Taxation" on the Balance Sheet, by way of an equalisation reserve.

4. UNDISTRIBUTED PROFITS OF SUBSIDIARY COMPANIES:

	£	£	Amounts transferred to Capital Reserve £
At 30th March 1963		1,961,662	
Less: Capitalisation by subsidiary—Transfer to Capital Reserve	199,480		199,480
Overseas taxes on Capitalisation	13,204	212,684	
		1,748,978	
Profits retained in current year		519,945	
		2,268,923	
Less: Other transfers to Capital Reserve		35,355	35,355
		2,233,568	234,835

NOTES ON BALANCE SHEETS

These notes are part of the Accounts and are given to conform with the requirements of the Companies Act, 1948.

1. SHARE CAPITAL

	1964	1963
At 28th March 1964, the Authorised Capital of the Company was:	£	£
Preference Stock	500,000	500,000
12,000,000 Ordinary Shares of 10/-d. each	6,000,000	6,000,000
	6,500,000	6,500,000

2. SHARE PREMIUM ACCOUNT

	£
At 30th March 1963	66,782
Less: Discount and part expenses of Debenture Issue	66,782
	—

3. CAPITAL RESERVES

	Group	The De La Rue Co. Ltd.
	£	£
At 30th March 1963	807,723	1,544,918
ADD Surplus arising on revaluation of certain Freehold Properties in the United Kingdom	318,241	—
Transfer from Undistributed Profits (see Note 4 to Consolidated Profit and Loss Account)	234,835	—
	1,360,799	1,544,918
DEDUCT Net deficit on capital transactions and balance of Debenture Issue costs	36,523	2,463
Amount written off investments in a subsidiary company and two trade investments	138,629	114,600
	175,152	117,063
	1,185,647	1,427,855

4. LICENCES, GOODWILL, ETC.

(at cost less amounts written off)	1964	1963
	£	£
Licences, Patents and Trade Marks	250,543	245,535
Goodwill and premiums paid on acquisition	1,991,253	1,354,392
Preliminary and pre-production expenses	186,751	64,636
	2,428,547	1,664,563

5. SUBSIDIARY COMPANIES

(a) The Directors consider it necessary that the Accounts of Overseas Subsidiaries are prepared to 31st December, so that Group Accounts can be presented without delay.

(b) Foreign currencies have been converted into sterling as follows:
Fixed Assets—at the exchange rates ruling at the date of acquisition
Current Assets and Liabilities—at exchange rates ruling on 31st December 1963.

SUBSIDIARY COMPANIES (continued)

In the case of Brazil, Current Assets, Current Liabilities and additions to Fixed Assets have been converted at the average of the relevant fixed and market rates during the year.

(c) Subsidiary Companies not Consolidated

	1964	1963
	£	£
Shares at cost *less* amounts written off	337,558	66,378
Amounts owing	72,311	28,302
	409,869	94,680

(d) Nine subsidiary companies have not been consolidated because in the opinion of the Directors consolidation would be of no real value to the members of the Company owing to the insignificant amounts involved. Five subsidiary companies have not traded since control was obtained. Four subsidiary companies have traded for only part of the year resulting in net aggregate losses so far as concerns the members of The De La Rue Company Ltd. of £3,190.

6. TRADE INVESTMENTS

Trade investments in the Group are stated at cost, less amounts written off, and include loans amounting to £258,688 (Parent Company £188,993).

7. STOCK

A concise statement of the basis used for the valuation of stock is not practicable due to the diversity of the activities of the Group, but the amount shown has been determined for the whole of the stock at the Balance Sheet date on bases which are considered appropriate in the circumstances and have been consistently applied.

8. BANK OVERDRAFTS AND SHORT TERM LOANS

Bank and other loans to two overseas subsidiary companies amounting to £64,328 (1963 £59,224) are secured against those companies' land, buildings and machinery.

9. CAPITAL COMMITMENTS

Capital Commitments at the Balance Sheet dates amount to £1,240,953 (1963 £1,736,175) of which £853 (1963 £356) was attributable to the Parent Company.

10. CONTINGENT LIABILITIES

There were contingent liabilities at 28th March 1964, or at the dates of the subsidiary companies' Balance Sheets, as follows:

(*a*) Guarantees to banks and others of £1,332,660 (1963 £944,530) of which £1,190,118 (1963 £750,000) was guaranteed by the Parent Company.

(*b*) Bills of Exchange discounted by overseas subsidiary companies £1,181,730 (1963 £1,050,201).

(*c*) A liability in respect of part paid shares in subsidiary companies amounting to £311,040 (1963 £641,000).

(*d*) Forward contracts for raw materials entered into by a subsidiary company amounted to £554,376 (1963 Nil).

11. LAND, BUILDINGS AND PLANT

	1964			1963		
	Cost or as revalued	Depreciation	Balance	Cost or as revalued	Depreciation	Balance
GROUP	£	£	£	£	£	£
Land and Buildings	5,229,155	753,112	4,476,043	3,606,181	655,481	2;950,700
Plant and Equipment	12,478,923	5,254,086	7,224,837	9,430,036	4,295,155	5,134,881
	17,708,078	6,007,198	11,700,880	13,036,217	4,950,636	8,085,581
THE DE LA RUE COMPANY LIMITED						
Land and Buildings	227,161	51,706	175,455	198,892	44,427	154,465
Plant and Equipment	122,206	83,629	38,577	122,081	82,134	39,947
	349,367	135,335	214,032	320,973	126,561	194,412

The fixed assets are included at original cost to the company or its subsidiaries with the exception of certain freehold properties of two subsidiaries which have been professionally valued. The amounts set aside for depreciation consequently include amounts provided before formation of subsidiaries and by subsidiaries before their acquisition by the company. No provision has been made in the Accounts of certain subsidiary companies for depreciation on freehold land and buildings, because in the opinion of the Directors no such provision is necessary.

CITY NOTES

EVENTS in North Vietnam and Cyprus have failed to disturb London stock-markets. Business has not suggested for a moment that investors have been nudged into selling by the force of the international political outbursts.

New York, invariably a more volatile market than London, has reflected nervous tension but the market here seems far more concerned with home affairs. The gradual erosion of the Labour lead shown in the public opinion polls, the accelerating pace of the take-over race, the continued announcement of higher earnings and dividends, hope that the economy will 'ride' until the election and a small but constant buying flow, are the factors which London chooses to reflect.

In share-index terms the market has held steady and there is no foreseeable reason why it should do otherwise so long as investors keep their heads.

The approach to the General Election, however, is hardly likely to see any pronounced upward move unless the political polls show a more decisive switch of public opinion towards the Conservatives.

* * * *

FROM the beginning of September stockbrokers will have to make a daily return of turnover to the Council of the Stock Exchange. The number and value of bargains will have to be reported daily under six headings – short- and other dated Government stocks, corporation stocks, foreign stocks, preference shares and ordinary shares.

The Stock Exchange will supply the turnover totals to The Bank of England and the Treasury and will publicly announce the grand totals every month. Stockbrokers will report under a code number which will be regularly changed and only the Secretary of the Council and his assistant will know the name behind the code number.

Just why the Stock Exchange cannot announce the totals daily is difficult to see.

* * * *

RECENT events on the Stock Exchange have revived suggestions that there is a need for an independent securities commission on American lines. There are valid arguments both for and against such a body but the Government view, although not officially stated in as many words, is that the present Stock Exchange – Board of Trade – company law structure needs no security overlords.

* * * *

THERE has been general City commendation for the way in which the stockbrokers to the Rolls Razor company have faced up to that company's fall from grace. But they make a point which both stockbrokers and investment commentators in general should duly note.

The brokers 'accept the criticism that we tend always to suggest purchase of shares and less often sales . . . it is broadly true that we, and others in our business, do not in general give sufficient attention to posisble sales and consolidating profits, and the case of Rolls Razor could be held to be an example of this'.

The trouble is that a buyer of a share will not necessarily blame his broker if a share is bought and then falls. But if a share is sold – and then rises – there is the devil to pay.

* * * *

RESTORATION of dealings in four of the five shares concerned in what has become known as the 'Adrian Jacobs' affair' merely means that the Stock Exchange has completed its examination of dealings. No indication of the findings was given when dealings were restored. It was business in these shares and the subsequent business ban that caused the failure of the stockbroking firm of R. H. Bristowe & Co.

RATES AND PRICES

Closing prices, Wednesday, August 12th, 1964

Tax Reserve Certificates: interest rate 19.3.64 $2\frac{3}{4}$%

Bank Rate

July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	$6\frac{1}{2}$%	April 26, 1962	$4\frac{1}{2}$%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	$5\frac{1}{2}$%	Feb. 27, 1964	5%

Treasury Bills

June 5	£4	8*s*	6·92*d*%	July 10	£4	9*s*	7·75*d*%
June 12	£4	8*s*	8·49*d*%	July 17	£4	11*s*	7·01*d*%
June 19	£4	8*s*	9·84*d*%	July 24	£4	12*s*	11·95*d*%
June 26	£4	9*s*	3·39*d*%	July 31	£4	13*s*	1·03*d*%
July 3	£4	9*s*	4·72*d*%	Aug. 7	£4	13*s*	0·79*d*%

Money Rates

Day to day	$3\frac{3}{8}$–$4\frac{1}{2}$%	*Bank Bills*	
7 days	$3\frac{1}{4}$–$4\frac{5}{8}$%	2 months	$4\frac{13}{16}$–$4\frac{7}{8}$%
Fine Trade Bills		3 months	$4\frac{13}{16}$–$4\frac{7}{8}$%
3 months	$5\frac{3}{4}$–$6\frac{1}{4}$%	4 months	$4\frac{13}{16}$–$4\frac{7}{8}$%
4 months	$5\frac{3}{4}$–$6\frac{1}{4}$%	6 months	$4\frac{7}{8}$–$4\frac{15}{16}$%
6 months	6–7%		

Foreign Exchanges

New York	2·78 $\frac{27}{32}$	Frankfurt	11·08$\frac{1}{2}$
Montreal	3·00 $\frac{15}{16}$	Milan	1742$\frac{3}{8}$
Amsterdam	10·07$\frac{3}{4}$	Oslo	19·96$\frac{1}{4}$
Brussels	138·73$\frac{1}{2}$	Paris	13·66$\frac{3}{8}$
Copenhagen	19·29$\frac{1}{2}$	Zürich	12·05 $\frac{11}{16}$

Gilt-edged

Consols 4%	$64\frac{1}{8}$	Funding 3% 59–69	$89\frac{3}{4}$
Consols $2\frac{1}{2}$%	$41\frac{3}{4}$	Savings 3% 60–70	$86\frac{5}{8}$
Conversion 6% 1972	$102\frac{9}{16}$	Savings 3% 65–75	$77\frac{5}{8}$
Conversion $5\frac{1}{4}$% 1974	$97\frac{1}{2}$	Savings $2\frac{1}{2}$% 64–67	$92\frac{7}{16}$
Conversion 5% 1971	$96\frac{15}{16}$	Treas' $5\frac{1}{2}$% 2008–12	$89\frac{13}{16}$
Conversion $3\frac{1}{2}$% 1969	$91\frac{9}{16}$	Treasury 5% 86–89	$88\frac{1}{16}$
Conversion $3\frac{1}{2}$%	$57\frac{1}{2}$	Treasury $3\frac{1}{2}$% 77–80	$76\frac{3}{8}$
Funding $5\frac{1}{2}$% 82–84	$95\frac{5}{16}$	Treasury $3\frac{1}{2}$% 79–81	$75\frac{5}{16}$
Funding 4% 60–90	$93\frac{5}{8}$	Treasury $2\frac{1}{2}$%	$41\frac{3}{4}$
Funding $3\frac{1}{2}$% 99–04	$64\frac{3}{16}$	Victory 4%	$97\frac{1}{8}$
Funding 3% 66–68	$90\frac{3}{4}$	War Loan $3\frac{1}{2}$%	$57\frac{3}{16}$

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Payment of Interest out of Capital

SIR, – Why should Mr J. D. B. Oliver in his letter in your issue of July 25th insist that payment of interest out of capital is a practice to be 'decently buried and forgotten'. In fact, it is my experience that the practice is very much alive, and that there are excellent reasons for the inclusion of this item as a material factor contributing to the total cost of a long-term development project.

The arguments for or against are well known to accountants, and the examinations of the accountancy bodies often include a question on this subject. May I suggest that Mr Oliver's views are, to say the least, too rigid.

Yours faithfully,
M. H. KENNETT, A.C.A.

Horley, Surrey.

The Future of the Accountant

SIR, – Amid the weeping and wailing over one angry accountant's protest against the present order of things in the profession ('Accountancy: What's wrong?') it would be a pity indeed if we overlooked the valuable contribution to realistic forward thinking by Professor Baxter in his series of four articles under the general heading of 'The Future of the Accountant' which recently appeared in *The Accountant*.

He lends respectability, if not palatability, to some pretty radical ideas – they are probably more radical than those of his highly-publicized contemporary.

In particular, the healthy doubts he expresses about the wisdom of asking accountancy students who intend to make their careers in industry or commerce to spend hours of valuable time learning the correct book-keeping entries required to answer an examination question in executorship or insolvency will strike a chord of sympathy in the heart of many an industrial accountant. Thoughtful accountants realize that the advent of the business schools envisaged in the Franks Report will face the profession with a very direct challenge to their alleged supremacy in the field of finance and business economics. Professor Baxter rightly points out that many present-day accountants are not at all familiar with the newer (not *new*) applications of discounted cash flow techniques – and as for applying the economist's concept of opportunity costs to business situations, they have not even begun to think about it.

Those whose memories stretch back far enough will recall (in a wider context) the fateful phrase 'the years that the locusts hath eaten' – are accountants content to sit and witness a decline in their profession's influence?

Yours faithfully,
DESMOND GOCH, A.A.C.C.A.

Stevenage, Herts.

D. Sebel & Co Ltd

SIR, – The Weekly Note in your issue of July 25th seems to have misconstrued the significance of the dispute between shareholders and the auditors of D. Sebel & Co Ltd. No one, as far as I at least am aware, 'accused' the auditors of anything, least of all of not knowing their job. The principle involved is quite different and much more simple. The auditors were appointed by the shareholders to protect their interests and to report to them annually on the truth and fairness of the accounts presented to them by the directors – who, incidentally, were also appointed by the shareholders.

The board has in this case submitted, and the auditors have not disagreed, that stocks and work in progress had been overvalued by the late managing director over a number of years. On the death of the managing director this irregularity was discovered and its rectification involved taking a loss of around £200,000 into the accounts. This compares with a trading profit as certified by the auditors, for the previous year of £152,292 – and must be considered as material.

The case of the dissentient shareholders was simply that the trust which is the basic bond between a professional man and his clients, has been lost as between some of the company's members and its auditors; but this lack of trust in no way implied criticism of the auditors or their professional conduct. Shareholders are not, generally, concerned with the methods used by their auditors, or by any other of their professional advisers. Only the results of their work are important, and since it was believed by the minority shareholders that this had not been entirely to their advantage, a change of auditors was thought desirable.

That is, as far as I am informed, the background of this particular episode. I would suggest that the conclusion drawn in your note from the result of the meeting is entirely misplaced. The following are, I believe, the points which are worthy of further thought:

(i) auditors are primarily answerable to the members and not to the directors;

(ii) the auditing profession must, in modern circumstances, adopt modern methods irrespective of tradition, otherwise its standing will depreciate;

(iii) shareholders should be prepared to pay more

liberally for their auditors' services, but should expect to get the requisite service.

Yours faithfully,

P. J. KENNETT, C.A., A.T.I.I.

London N6.

[The points mentioned by our correspondent have, of course, constantly been reiterated in the columns of this journal. We take this opportunity of giving the following certified figures of the results of the poll taken at the adjourned annual general meeting of D. Sebel & Co Ltd (which differ somewhat from those announced at the meeting and reported in our Weekly Notes of July 25th): in favour of the resolution (that the retiring auditors should not be reappointed) – 592,452 votes; against the resolution – 964,338 votes. – Editor.]

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

White *v.* Franklin

In the High Court of Justice (Chancery Division) – July 8th, 1964

(Before Mr Justice UNGOED-THOMAS)

Income tax – Earned income relief – Settlement – Dividends payable to beneficiary while managing company – Whether earned income relief available – Income Tax Act, 1952, section 525, Schedule 9, paragraph 1.

A company took over a travel agency business in 1931, and there was an agreement of February 25th, 1931, by which shares were transferred to one of the two individuals who had carried on the business previously. The transfer was made on an undertaking by him to devote all his time to the company's business, and the shares were recoverable if he should cease to be the managing director, or to devote all his time and attention to the company and on his death.

In 1938 a settlement of 300 shares in the company was made by the respondent's mother and brother, and the respondent was entitled to the dividends 'so long as he shall be engaged in the management of the company', and should not do or suffer anything preventing him from receiving the income and retaining it for his personal benefit. There was a gift over of income and capital in favour of descendants of the respondent's mother, but limited to those serving the company, and there was ultimate gift over of capital in favour of his mother's descendants, but subject to a power of appointment by the trustees among the descendants who had contributed substantially to the success of the company. In 1938 the respondent's salary was £300, but from 1956 to 1962 he received bonuses varying from £1,500 to £180. There was verbal evidence that the family were anxious to encourage the respondent to stay in the business.

It was contended by the appellant that the settlement income was not remuneration from an office or employment of profit; and that therefore the respondent was not entitled to earned income relief. It was contended on behalf of the respondent that the settlement income was remuneration from an office or employment of profit within section 525 of the Income Tax Act, 1952; and that earned income relief was applicable. The General Commissioners decided in favour of the respondent.

Held: the General Commissioners' decision was correct.

Brown (Burnett & Reid) *v.* Commissioners of Inland Revenue

In the House of Lords – July 28th, 1964

(Before Lord REID, Lord EVERSHED, Lord GUEST, Lord UPJOHN and Lord DONOVAN)

Income tax – Earned income relief – Solicitor – Deposit interest – Clients' money placed on deposit account – Interest therefrom – Loans to clients – Difference between interest charged and interest paid – Whether part of income of practice – Income Tax Act, 1952, sections 123 (Schedule D), 148, 525, (1) (c).

The appellant, a solicitor carrying on a large practice, placed clients' money on deposit and received interest thereon. He also made loans to clients, and there was a difference between the gross amount of interest charged on the loans and the gross amount of interest paid to the clients whose money was available for the making of the loan. He was assessed under Case III of Schedule D on the deposit interest. The clients to whom loans were made deducted tax at the standard rate on paying the interest on their loans to the appellant.

The appellant contended that the deposit, and the amounts representing the difference between interest charged by him on the loans to clients and the interest paid by him to other clients, were income of the practice and were earned income. It was contended on behalf of the respondents that both categories of receipts were interest and not earned income. The General Commissioners decided in favour of the respondents.

Held (affirming the decision of the Court of Session): the General Commissioners' decision was correct.

THE ACCOUNTANT SYNOPSIS of the FINANCE ACT, 1964 and the INCOME TAX MANAGEMENT ACT, 1964

This synopsis excludes those parts of the Finance Act, 1964 which relate to Customs and Excise (Part I and related Schedules 1 to 6) but includes the whole of the Income Tax Management Act, 1964. The synopsis is intended to serve the needs of the practitioner or business man, first, as an extended index bringing to light the contents of each subsection or schedule so as to facilitate immediate reference to the relevant text; secondly as a precis of the subject-matter in everyday language so far as possible in place of the more technical terms conventional in Parliamentary draftsmanship.

FINANCE ACT, 1964

(*Note: The explanatory matter in brackets is not part of the Act*)

PART II: INCOME TAX AND PROFITS TAX

Scale of Charges and Reliefs

12. 1964–65 Standard rate of income tax is 7*s* 9*d*.

13. 1963–64 Surtax rates (*No change*).

14. Higher scale of relief for persons over 65 with small incomes.

Hiving-off Part of a Trade

15. (1) Extension of section 17, Finance Act, 1954 (*Hiving-off*):
(*a*) hiving-off part of a trade;
(*b*) apportionment of 'continuing basis' liabilities.
(2) General rules to be observed where part of trade hived-off; including stock valuation rules.
(3) Separation of parts of trades taken over by a successor.

Double Taxation Relief for Dividends

16. (1) Double taxation relief for indirect taxes overseas where dividends received by a company controlling at least one-quarter of the voting power of the payer.
(2) Existing rule superseded; section 20, Finance Act, 1962.
(3) Extension to subsidiaries of company entitled under (1).
(4) Dates from which new rules operative for income tax and profits tax

Sale and Lease-back of Plant, etc.

17. (*The term 'rent' is used here as shorthand for 'a payment made under a lease of an asset of any description'.*)
(1) New Case VI charge corresponding to specified reliefs if obtained by reference to 'rent' paid in conjunction with the receipt of a capital sum.
(2) Similar profits tax charge.
(3) Charges to be effective for leases created after April 14th, 1964.
(4) Specified reliefs are defined in terms of:
(*a*) 'rents' deductible under Cases I or II of Schedule D;
(*b*) 'rents' deductible under Case VI (*and section 346*);
(*c*) 'rents' includible in management expenses;
(*d*) 'rents' deductible under Schedule E;
(*e*) 'rents' deductible under section 125, Income Tax Act, 1952 (woodlands managed on a commercial basis).
(5) Specified reliefs in basis periods which fall out of assessment to reduce 'ceiling' in (1).
(6) No exclusion of inter-company payments (*profits tax*).
(7) Meaning of 'asset' and 'lease'; for general rules see Schedule 7.

18. (*The term 'hire' is used here to denote payments which are allowable by deduction in computing the results of a relevant trade.*)
(1) 'Hire' and 'rent' mutually exclusive; relevant trade for the purposes of 'hire'.
(2) Allowance for 'hire' limited by reference to commercial rent.
(3) Carry-forward of disallowed 'hire' to later period.
(4) Aggregation and apportionment of payments.
(5) Payments more than one year in advance to be related to the period of twelve months after payment.
(6) 'Commercial rent' defined.
(7) Disallowance to be effective for leases created after April 14th, 1964.
(8) Identity of a trade despite changes of ownership.
(9) Profession or vocation.
(10) Meanings of 'asset' and 'lease'.

Land Sold and Leased Back

19. (1) Sale and lease-back: this section applies where rent is directly or indirectly payable by a transferor of an estate or interest in land.
(2) Application to 'rent-charges' which attract the reliefs specified in (13) below.

(3) Meaning of 'transfer of an estate or interest in land.'
(4) Allowance for rent or 'rent-charges' limited by reference to commercial rent.
(5) Carry-forward of disallowed rent or 'rent-charges'.
(6) Aggregation and apportionment of payments; service charges.
(7) Payments more than a year in advance to be related to the period of twelve months after payment.
(8) 'Commercial rent' defined.
(9) Commercial 'rent-charge' defined.
(10) 'Rent under a lease' includes Case VIII non-annual gains.
(11) Definition of 'associated' persons.
(12) Meaning of 'lease' and 'rent'.
(13) Specified reliefs defined in terms of section 17 (4) and Case VIII deductions.

Case VIII Apportionments

20. (1) Case VIII apportionments of vendor's receipts and outgoings.
(2) Extension to items falling due before the date of the contract.
(3) Case VIII apportionments of purchaser's receipts and outgoings.
(4) Extensions where contract assigned by original parties.
(5) Extension to Case VI furnished lettings.

Mutual Business: Distribution of Assets

21. *(The term 'mutual distribution' is used here to denote money or money's worth derived from certain assets of a body corporate which has at any time carried on a trade which consists of or includes the conducting of any mutual business.)*
(1) 'Mutual distributions'; how derived; exclusion of assets representing capital.
(2) Disposal not at arm's length of right to 'mutual distributions'.
(3) 'Mutual distributions' to be chargeable as follows:
(*a*) if received by a contributing member, as a trading receipt;
(*b*) if received by an ex-contributing member, by means of a Case VI charge.
(4) Earned income relief re 3 (*b*).
(5) Deduction of unrelieved losses and capital allowances arising in the trade discontinued by an ex-contributing member.
(6) Nature of 'assets representing capital'.
(7) 'Mutual business'.
(8) Professions, vocations and commercial woodlands.
(9) Period of contribution may ante-date this Act.
(10) Exclusion of co-operative and other traders.

PART III: MISCELLANEOUS

The Sugar Act, 1956

22. (1) Distribution payments relating to exports, etc.: selective application.
(2) Distribution payments relating to home production and imports: selective application.
(3) Interpretation.

The Stamp Act, 1891

23. (1) Exemption from stamp duty for contracts of employment.
(2) Exemption may be retrospective.
(3) Construction with Stamp Act, 1891.

24. Dublin register of United Kingdom Government securities.

25. Management fees payable to Trustee Savings banks.

26. (1) Title of this Act.
(2) References in Part I (*Customs and Excise*).
(3) Construction with previous enactments.
(4) Amendments to other enactments.
(5) Northern Ireland; restricted application.
(6) Sugar and the Isle of Man.
(7) Repeals as in Schedule 9.

SCHEDULES

Schedule 7 – Leases to traders and others ('rents', 'hire' and 'rent-charges').

Part I *(References to 'the principal section' are to section 17.)*

1. Meaning of 'capital sum'.

2. (1) References to a sum obtained in respect of the lessee's interest in a lease or asset.
(2) Extension to series of transactions or mergers.

3. (1) Further extension to transactions by an associate.
(2) Valuation where disposal to an associate.
(3) Modes of disposition to an associate.

4. (1) Apportionment among partners of proceeds of interest in an asset.
(2) Apportionment among joint owners.
(3) Apportionment among partners of 'rent', 'hire' and 'rent-charges'.
(4) Commissioners' jurisdiction on apportionments.

5. Meaning of 'associate'.

6. (1) Rules where more than one capital sum obtained in respect of which charges arise under section 17 (1) and (2).
(2) No exclusion of inter-company payments (*profits tax*).

7. (1) Assessments or repayments of tax.
(2) Six-year time limit.

Schedule 7 – Hire-purchase Agreements

Part II (*Modifications where the lease constitutes a hire-purchase agreement.*)

8. (1) Capital sum to be reduced by relevant capital expenditure.
(2) Meaning of relevant capital expenditure.
(3) Residue of expenditure as defined for plant and machinery.
(4) Position where capital sum less than relevant capital expenditure.

9. (1) Apportionment where capital sum not wholly referable to hire-purchase agreement.
(2) Rules where more than one capital sum in question.

10. (1) Meaning of 'hire-purchase agreement'.
(2) Alternative definition in Scotland.

Schedule 8 – Miscellaneous amendments relating to Dublin register of United Kingdom Government securities.

Schedule 9 – Repeals.

INCOME TAX MANAGEMENT ACT, 1964

(Note: The explanatory matter in brackets is not part of the Act.)

General Commissioners

1. (1) Local General Commissioners for appeals, etc.
(2) Appointments in England and Wales.
(3) Appointments in Scotland.
(4) Ex-officio General Commissioners in Scotland.
(5) Travelling and subsistence allowances.
(6) Boundaries of divisions.
(7) Age limit of 75 years; temporary deferment (July 10th, 1966)
(8) Validity of proceedings despite invalid appointment.
(9) Date section operative (July 10th, 1964).

2. (1) Clerks to the General Commissioners.
(2) Remuneration of a clerk.
(3) Pension or gratuity of a clerk.
(4) Dismissal of clerks.
(5) Retirement of clerks at 70 or 75.
(6) Temporary deferment of retirement (July 10th, 1966).
(7) Date section operative (July 10th, 1964).

Revenue Officers: Declarations

3. (1) Appointment of inspectors and collectors.
(2) References to assessors, collectors, inspectors, surveyors.
(3) Continuity of legal proceedings or administrative acts.
(4) Date section operative (July 10th, 1964).

4. (1) Declarations on taking up office.
(2) Declarations by clerks.
(3) Declarations by members of the Board of Inland Revenue.
(4) Declarations by collectors, inspectors and others.
(5) When declaration to be made.
(6) Date section and Schedule 1 operative (July 10th, 1964).

Assessments

5. (1) Income tax assessments generally to be made by inspectors.
(2) Surtax assessments to be made by the Board.
(3) Discovery confers right to raise further assessments.
(4) Single assessment permissible for income under different schedules; jurisdiction of Commissioners where assessment made to withdraw relief.
(5) Notice of assessment.
(6) Assessment not to be altered except by formal procedures, after notice served.
(7) Income tax assessments by the Board.
(8) Delegation of assessment functions by the Board.
(9) Interpretation; returns and assessments.

6. (1) Leave of Commissioners requisite for out-of-time assessments where fraud, wilful default or neglect.
(2) Assessing Commissioners not to act judicially.

Returns of Income

7. (1) Returns of income by persons.
(2) Returns of income otherwise than in a personal capacity.
(3) Returns may relate to preceding year where appropriate.
(4) Income under Cases I or II of Schedule D may be returnable for an accounting or other basis period.
(5) Surtax returns.
(6) Surtax returns on behalf of others.
(7) Terms of declaration to be included in returns.
(8) Penalties.
(9) Contents of returns.
(10) Partnership returns.

Recovery of Tax

8. (1) Income tax recoverable by County Court proceedings.
(2) Statement by employer to be evidence of emoluments.
(3) Barrister may represent Board in county court.
(4) Income tax in Scotland not exceeding £250 recoverable by proceedings in Sheriff Court or Sheriff's Small Debt Court.
(5) County Court proceedings in Northern Ireland.
(6) Recovery of income tax in County Court in Northern Ireland.
(7) Interpretation in Northern Ireland.

Claims by Taxpayer

9. (1) New rules for types of claim specified in Schedule 2.
(2) (*a*) Whether a claim to be made to an inspector or the Board.
(*b*) Whether an appeal to the General or Special Commissioners.
(3) Whether General or Special Commissioners have jurisdiction.
(4) Rules applicable to claims under future enactments.
(5) Time limits for appeals relating to claims.
(6) Claim forms; declaration and information required.
(7) Claims on behalf of other persons.
(8) Claims to be satisfied by discharge or repayment of tax.
(9) Error or mistake; supplementary claims.
(10) Commissioners on appeal may vary claim either way.
(11) Time limit for consequential assessments.
(12) Delegation of powers by the Board.

Profits Tax Rules

10. (*All references are to profits tax.*)
(1) Inspector to make assessments.
(2) Leave of Commissioners requisite for out-of-time assessments where fraud, wilful neglect or default; assessing Commissioners not to act judicially.
(3) Time limit for appeals.
(4) Recovery of tax not in dispute; amended wording.

Choice of Commissioners

11. (1) Locality of proceedings before the General Commissioners.
(2) Substitution of more convenient locality.
(3) Transfer of proceedings to the Special Commissioners.
(4) General Commissioners' jurisdiction may be impugned only in course of proceedings.

12. (1) Out-of-time appeal or other proceedings.
(2) Procedure for choice of Special Commissioners.
(3) Commissioners' power to obtain documentary evidence.

(4) Finality of Commissioners' determination.
(5) Rules for procedure on appeals, witnesses and case stated.
(6) Interpretation of sections 52 and 59, Income Tax Act, 1952.

Payments on Account

13. (1) Recovery of tax; agreement as to amount not in dispute.
(2) Withdrawal of agreement within thirty days.
(3) Verbal agreements operative when notified in writing.
(4) Power of agent to bind taxpayer.
(5) Commissioners' decision to stand despite transfer of proceedings.

Northern Ireland

14. (1) Substitution of Special for General Commissioners in Northern Ireland.
(2) Case stated in Northern Ireland to go to Court of Appeal.
(3) Appeals to House of Lords.
(4) Proceedings in Northern Ireland; interpretation.
(5) Special Commissioners' jurisdiction may be impugned only in course of proceedings.

15. (1) Taxpayer in Northern Ireland may elect for County Court, not Special Commissioners, in lieu of General Commissioners.
(2) Consequential interpretation of certain references to the Special Commissioners.
(3) Nature of County Court proceedings in a tax case.
(4) Case stated for the Court of Appeal.
(5) Procedure; to be compatible with ultimate appeal to House of Lords.
(6) Tax payable forthwith on determination by County Court.
(7) County Court proceedings final, subject to appeal.
(8) County Court jurisdiction not to be impugned at all.

Interpretation

16. (1) Meaning of 'the Board'.
(2) References to the Board include delegates.
(3) References to other Acts to include amendments.

17. (1) Title of this Act.
(2) Construction with income tax and profits tax Acts.
(3) Enactments amended – Schedule 4; transitory provisions – Schedule 5.
(4) Act to commence on April 6th, 1965.
(5) Repeals – Schedule 6.

SCHEDULES

Schedule 1 – Forms of declaration on taking office.

Schedule 2 – Table of enactments showing whether claim to be made to an inspector or the Board and whether an appeal lies to the General or Special Commissioners.

Schedule 3 – Rules for specifying body of Commissioners to which proceedings are to be assigned.

Schedule 4 –

1. Tables of references to 'the Board' – Part I; 'an inspector' – Part III; or either – Part II being references which are substituted for references to the General or Special Commissioners.

2. Delegation of functions by the Board.

3. Review by Commissioners of decisions taken under references tabled above.

MISCELLANEOUS AMENDMENTS

Schedule 5 – Transitory provisions and continuity.

Schedule 6 – Part I: Repeals effective after one month (from July 10th, 1964).

– Part II: Repeals effective from April 6th, 1965.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, August 5th, 1964, at the Institute's temporary offices at City House, 56/66, Goswell Road, London EC1, there were present:

Mr W. Guy Densem, President, in the Chair; Mr Robert McNeil, Vice-President; Messrs G. R. Appleyard, W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, P. F. Carpenter, Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, C. Croxton-Smith, E. Hay Davison, S. Dixon, W. W. Fea, Sir Harold Gillett, Bt, M.C., Messrs G. G. G. Goult, P. F. Granger, L. C. Hawkins, C.B.E., J. S. Heaton, J. A. Jackson, R. O. A. Keel, Sir William Lawson, C.B.E., Messrs R. B. Leech, M.B.E., T.D., E. N. Macdonald, D.F.C., J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., S. J. Pears, F. E. Price, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs R. G. Slack, A. G. Thomas, A. H. Walton, R. Walton, F. J. Weeks, M. Wheatley Jones, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., T.D., E. K. Wright, Sir Richard Yeabsley, C.B.E.

Electronic Data Processing Courses

The first series of electronic data processing courses for members, accommodating 108, held at Brighton in May 1964, was heavily over-subscribed.

The Council has approved a further series of five courses, accommodating 250, to be held at Harrogate from November 24th to December 3rd, 1964; each course will last for four and a half days and the fee, inclusive of accommodation, will be fifty-five guineas.

Application forms will shortly be sent to those members who were unsuccessful in their application to attend the Brighton courses and to those who have expressed an interest in future courses; priority will be given to those members and it is not expected that any further places will be available in November at Harrogate.

A further series of courses is being arranged in February and May 1965 and as an indication of future demand it would be helpful if any member, who has not already done so, would notify the Secretary of his interest in such courses.

Local Government (Pecuniary Interests) Act, 1964

The Council approved the following statement for inclusion in the next supplement to the *Members' Handbook*:

The Local Government (Pecuniary Interests) Act, 1964, modifies the scope, *inter alia*, of section 76 of the Local Government Act, 1933, by providing that remote or insignificant interests which cannot reasonably be regarded as likely to influence members of local authority councils in consideration or discussion of or in voting on contracts or other matters shall not be treated as constituting pecuniary interests for the purposes of section 76.

In view of counsel's opinion obtained by the Council in 1961 (reproduced in section 13 of the *Members' Handbook*) to the effect that there was a likelihood that a practising accountant who was a member of a local authority would be held to be 'in the employment of' any company of which he was auditor and in that connection would have an indirect pecuniary interest if the company was or might be concerned in the matters dealt with by section 76, it was sought while the legislation was before Parliament to have included in the new Act a provision making clear that a member of a local authority who was auditor of a company should not, by reason only of holding that office, be treated as being employed by the company.

The matter was raised with the Ministry of Housing and Local Government, who by letter dated July 14th, 1964, advised as follows:

> 'The Department's legal advisers take the view that this is the effect of the law as it stands and that no amendment of the Local Government (Pecuniary Interests) Bill is necessary on the point. The expression "in the employment of" in section 76 (2) (*b*) is a precise expression which when used in statutes is used as indicating the relationship of master and servant. There is a similar use of the expression in section 161 (2) (*b*) of the Companies Act, 1948. In section 448 (1) of the Act of 1948 an auditor is spoken of as "being employed by a company". Since he is not in fact in the employment of the company (and indeed his independent position would be quite inconsistent with his being in the employment of the company) the words used in section 448 (1) indicate a person who holds an office but is not a servant. The relationship between the auditor and the company is not therefore one which is covered by the words "in the employment of" in section 76 (2) (*b*).'

Appointment to Committee

The Council decided that, in view of the appointment of Mr D. Steele as Vice-Chairman of the District Societies Committee, he should cease to be a member of the Courses Committee.

Technical Advisory Committee

The Council decided that, in view of the appointment of Mr R. G. Slack as Vice-Chairman of the Articled Clerks Committee, he should not take up his membership of the Technical Advisory Committee for the year 1964–65. Mr M. A. Charlton was appointed in his place.

Chairmen and Vice-Chairmen of Committees

The Secretary reported the appointment of the following chairmen and vice-chairmen of committees for the ensuing year:

Consultative Committee of Members in Commerce and Industry

Chairman, Mr S. Dixon; Vice-Chairman, Mr F. J. Weeks.

Examination

Chairman, Mr J. A. Jackson; Vice-Chairman, Mr J. Godfrey.

Examination Results – May 1964

The results of the examination held in May 1964 were as follows:

	Passed	Failed	Total
Intermediate	1,100	1,091	2,191
Final	821	947	1,768
	1,921	2,038	3,959

(The names of the successful candidates and the recipients of prizes and certificates of merit are published elsewhere in this issue.)

Final Examination

The Examination Committee wishes to draw the attention of candidates and tutors to the disappointing answers given by many candidates in the following papers in recent Final examinations:

General Financial Knowledge, Cost and Management Accounting
English Law (Part I)
English Law (Part II)

The Council hopes that more attention will be paid in the future to preparation for these papers.

Articles and Examinations

The following applications under various bye-laws relating to articles and examinations have been granted or refused during the six months ended June 30th, 1964.

	Granted	Refused
Bye-law 48: Permission to take an articled clerk for the first time	170	3
Bye-law 50: Additional articled clerks..	3	1
Bye-law 52 (c): Granting of a Preliminary certificate by virtue of age and experience	35	3
Bye-law 54: Waiver of prescribed provisions in articles	2	1
Bye-law 64 (a): Reduction in service under articles – overseas graduates ..	273	8
Bye-law 64 (b): Reduction in service under articles – ten years' service ..	36	2
Bye-law 65 (a): Exemption for former regular officers from obtaining a Preliminary certificate	2	—
Bye-law 65 (c): Reduction in service under articles for former regular officers	4	—
Bye-law 66: Permission to follow another business or occupation while under articles to the limited extent specified in the application	15	1
Bye-law 67 (b) (iv): Permisson to spend up to six months in an industrial, commercial or other suitable organization during articled service ..	26	2
Bye-law 67 (b) (v): Permission to spend up to six months on secondment to another member in practice in the United Kingdom	3	—
Bye-law 84 (a): Permission to sit the Intermediate examination earlier than normally eligible	2	3
Former Bye-law 86 (a): Permission to sit the 'old' final examination, after completion of articled service, earlier than normally eligible	56	—
Bye-law 88 (b): Exemption from the Intermediate examination	9	22

Registration of Articles

The Secretary reported the registration of sixty-six articles of clerkship during June, the total number since January 1st, 1964, being 1,285.

Admissions to Membership

The following were admitted to membership of the Institute:

Cundal, David, A.C.A., *a*1964; 37c The Avenue, Beckenham, Kent.

Johnston, Stephen Henry, B.A., A.C.A., *a*1964; with Price Waterhouse & Co, 47 Avenue de l'Opera, Paris 2e.

Fellowship

The Council acceded to applications from twelve associates to become fellows under clause 6 of the supplemental Royal Charter.

Incorporated Accountant Member becoming an Associate

The Council acceded to an application from the following incorporated accountant member for election as associate under clause 6 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter:

Jackson, David, A.S.A.A., *a*1961; 47A Mount Park Road, Ealing, London W5.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Abbott, David Vivian, A.C.A., *a*1961; 'Sarnia', Broadlayings, Woolton Hill, Newbury, Berks.

Ainscow, John Davenport Siddeley, A.C.A., *a*1957; Burgis & Bullock, 11 & 13 Waterloo Place, Leamington Spa.

Austin, Eric Dudley, A.C.A., *a*1960; Austin & Co, 17 Earls Court Road, Cardiff.

Baldwin, David Henry, A.C.A., *a*1960; †Friend-James, Sinclair & Yarnell, 154A Church Road, Hove, and at Brighton.

Bradley, Peter, A.C.A., *a*1961; Forster, Scollick & Co, 6 Jesmond Road, Newcastle upon Tyne 2.

Brakell, John Russell, A.C.A., *a*1962; Wm F. A. Cooper & Son and Allan G. Hill & Partners, 3 Ross Parade, Wallington, Surrey, and at London.

Breckman, Robert Michael, A.C.A., *a*1961; Breckman & Co, 48 Cabul Road, London SW11, and 97 Cambridge Heath Road, London E1.

Brecknell, Michael Anthony, B.SC.(ECON.), A.C.A., *a*1961; Baker, Sutton & Co, Eldon Street House, Eldon Street, London EC2.

a Indicates the year of admission to the Institute.
aS Indicates the year of admission to The Society of Incorporated Accountants.

§ Means 'incorporated accountant member.'
Firms not marked † or * are composed wholly of chartered accountant members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

Bryan, John Richard, A.C.A., a1963; Chance, Bryan & Co, 212 Marsh Road, Leagrave, Luton, and at Barton, Beds.
Cadman, Peter Henry Broadbent, M.A., A.C.A., a1960; Howard Heaton & Bayfield, 95 Colmore Row, Birmingham 3, and at Wolverhampton and Worcester.
Chadwick, Harry, A.C.A., a1962; 2 Bale Street, Manchester 2.
Chance, James Frederick, A.C.A., a1963; Chance, Bryan & Co, 20 Old Road, Barton, Beds, and at Luton.
Charles, David John Bolton, A.C.A., a1963; 40 West Street, Reigate, Surrey.
Chatrath, Shyam Sundar, A.C.A., a1958; Cook, Sutton & Co, Ottoman Bank Building, Kenyattia Avenue, (P.O. Box 20220), Nairobi, Kenya, and at Kilosa, Tanganyika.
§Chaudhuri, Bimalesh Ray, A.S.A.A., aS1957; B. R. Chaudhuri & Co, 12 Dharamtolla Street, Calcutta 13.
Cheshire, Keith Stuart, F.C.A., a1933; 471 High Road, South Benfleet, Essex.
Cobden, Reginald Charles, A.C.A., a1961; †Ball, Baker, Deed & Co, Lloyds Bank Buildings, 55–61 Moorgate, London EC2.
Cooper, Peter Denis, F.C.A., a1948; Arthur Andersen & Co, St Alphage House, 2 Fore Street, London EC2, for other towns see Arthur Andersen & Co.
Cushion, Graham John, A.C.A., a1959; Jones, Ross, Howell & Co, Ilford House, 133 Oxford Street, London W1.
Cuthbert, John Reginald Thomas, F.C.A., aS1953; Cass, Copeland & Co, New Gallery House, 6 Vigo Street, Regent Street, London W1.
Davidson, John Castle, A.C.A., a1958; †Richard White, Spain Brothers & Co, Westminster Bank Chambers, 5 King Street, Dover, and at Folkestone; also at Ashford, Kent, Spain Brothers, White & Co.
Diaper, Colin Malcolm, A.C.A., a1962; Tutte & Co, Office Chambers, Lansdowne House, Bournemouth.
Dixon, James Neville, M.A., A.C.A., a1957; Heselton, Allan & Co, Cavendish House, 12 Piccadilly, Bradford 1.
Down, Peter Gerald, A.C.A., a1960; Ward & Co, 10–11 Landport Terrace, Portsmouth.
Dudley, Graham Herbert, A.C.A., a1957; Burke, Covington & Nash, Bank Chambers, 329 High Holborn, London WC1, and at Stevenage.
Essex, Lawrence Randall, A.C.A., a1963; Lawrence Essex, 2 Prince Edward Mansions, London W2.
Finnigan, John Desmond, A.C.A., a1963; 16 Aldegrave House, Geldeston Road, London E5.
Fung, Shiu Lam, A.C.A., a1961; Fung & Co, Grand Building, 6th Floor, 15 Connaught Road Central, Hong Kong.
Geh, Cheng Hooi, A.C.A., a1960; Peat, Marwick, Mitchell & Co, P.O. Box 47, 2 Benteng, Kuala Lumpur, Malaysia, and at Ipoh, Jesselton, Penang, and Singapore.
Goodale, Frank Noel, F.C.A., aS1953; Bird, Potter & Co, 'St Oswalds', Knockhundred Row, Midhurst, Sussex, and at London.
Gracey, John Gerald Anthony, A.C.A., a1962; D. A. Owen & Co, 21 The Parade, Leamington Spa.
Jay, Peter Arnold, A.C.A., a1959; Brebner, Allen & Trapp, 107 Baker Street, London W1, and at Harlow.
Johnson, John Anthony Brodie, A.C.A., a1964; J. Stanway Johnson & Co, 7 Tithebarn Street, Liverpool 2.
Joyce, Denis Hingston, A.C.A., a1963; F. W. Berringer & Co, 8 Widmore Road, Bromley, Kent, and at Oxted.
Kirkpatrick, Roger James, A.C.A., a1963; 13 The Meadway, Cuffley, Herts.
Levene, Leonard Barry, A.C.A., a1964; L. B. Levene & Co, 61 Station Road, Westcliff-on-Sea.
Lister, Joseph Kenneth, A.C.A., a1956; R. S. Dawson & Co, Auburn House, 8 Upper Piccadilly, Bradford 1.
Machin, Ronald Thomas, A.C.A., a1960; *J. K. Douglas & Co, Lloyds Bank Chambers, 92 London Road, Liverpool 3.
Majid, Fakhar, A.C.A., a1961; Fakhar Majid & Co, 18 Maclagan Road, Lahore.
Mapus-Smith, John, A.C.A., a1962; Mapus-Smith & Lemmon, 48 King Street, King's Lynn, and at Downham Market.
Miller, Derek, A.C.A., a1959; 9 Third Avenue, Bradford 3.
Mirza, Mufid Rashid, B.A.(ECON.), A.C.A., a1960; Attiyah Building, Sadoun Street, Baghdad, Iraq.
Morris, Ernest Stephen, A.C.A., a1960; *W. R. King & Co, 26 Alfred Street, Neath, Glamorgan.
§Mountain, Gordon Thomas, A.S.A.A., a1962; *Jackson, Robson & Co, 33/34 Exchange Street, Driffield, East Yorks.
Napier, John Alexander, A.C.A., a1963; Edmund D. White & Sons, 378/380 Salisbury House, London Wall, London EC2, and at Liverpool.
Newson, Cyril Stanley, B.A., A.C.A., a1957; *Faletti, Knapp & Jarabin, 29 East Canon Perdido Street, Santa Barbara, California, U.S.A.
Oakes, George Henry Peter, F.C.A., aS1949; Goodland, Bull & Co, 21 Bampton Street, Tiverton, Devon, and at Taunton.
Pakeman, Gordon Howard, A.C.A., a1957; Edward Thomas Collins & Son and Kinnersley & Shipton, 28 Baldwin Street, Bristol 1.
Penfold, Arthur John, F.C.A., aS1929; 'The Thatch', Littlewick Green, Berks.
Penney, Malcolm Olaf, A.C.A., a1962; Lord, Foster & Co and Hornemann, Loder & Co, City Wall House, 129–139 Finsbury Pavement, London EC2.
Pickles, Robert Granville, A.C.A., a1964; Pickles & Co, 20 Park Street, Selby, Yorks.
Pinder, Colin, A.C.A., a1956; Adgie, Boyce, Gordon, Roberts & Co, 26 Park Row, Leeds 1.
Pooley, Graham William, A.C.A., a1957; Carr, Dunn & Co, 98 St Martin's Lane, London WC2.
Price, William Barclay, F.C.A., aS1953; *S. J. Dudbridge & Sons, 8 Lansdown, Stroud, Glos, and at Gloucester.
Roberts, Michael Curig, A.C.A., a1961; Harmood-Banner Cash Stone & Mounsey, Cunard Building, Liverpool 3; also at Nairobi, Banner Mounsey Dunn & Co.
Robson, Geoffrey Gordon, A.C.A., aS1956; *Jackson, Robson & Co, 33–34 Exchange Street, Driffield, East Yorks.
Rogers, William Montague, F.C.A., aS1938; Bertenshaw & Co, 86 High Street, Rochester, and at Chatham.
Ross, Malcolm Lawrence, A.C.A., a1961; E. Freedman & Co, St Paul's House, 20/22 St Paul's Street, Leeds 1.
Simpson, Frank David, A.C.A., a1961; Pickles & Co, 20 Park Street, Selby, Yorks.
Smith, James Cameron Alan, A.C.A., a1963; Alan Smith & Co, and Kingston, Smith & Co, 110 Cannon Street, London EC4.
Smith, John Arthur, A.C.A., a1960; Tornton Baker & Co, 18B High Street, High Wycombe; for other towns see Thornton Baker & Co.
Stanley, Eric George, F.C.A., aS1952; Allen, Baldry, Holman & Best, Bilbao House, 36 New Broad Street, London EC2, and at Guildford.
Stilling, Peter John, A.C.A., aS1955; †Touche, Ross, Bailey & Smart, 3 London Wall Buildings, London EC2, and Bucklersbury House, Walbrook, London EC4; also at Birmingham.
Tear, Denis William, A.C.A., a1958; Bradshaw, Johnson & Co, Frewin House, Highbury Road, Hitchin, Herts.
Thacker, Dennis, A.C.A., a1956; 4927 Sherbrooke Street West, Montreal 6, P.Q., Canada.
Thompson, Roy Sidney, A.C.A., a1960; Southwell, Tyrrell & Co, 3 Laurence Pountney Hill, London EC4.
Trevelyan, Percy, F.C.A., aS1932; 22 St Michael's Road, Leeds 6.
Ullman, Ronald Manuel, B.SC.(ECON.), A.C.A., a1962; 16–17 Devonshire Square, Bishopsgate, London EC2, and at Edgware.
Ward, George Henry Reginald, A.C.A., a1959; Burke, Covington & Nash, Bank Chambers, 329 High Holborn, London WC1, and at Stevenage.

Whittaker, John Alfred, F.C.A., a1953; †Richard White, Spain Brothers & Co, New Chambers, 4 West Cliff Gardens, Folkestone, and at Dover; also at Ashford, Kent, Spain Brothers, White & Co.

Winks, David John Ffoulkes, A.C.A., a1961; Jones, Robathan, Thompson & Co, Mercantile Chambers, 13 James Street, Cardiff, and at Cardigan, Carmarthen, Chepstow, London and Newport, Mon.

Re-admission to Membership

Subject to payment of the amounts required by the Council, one former member of the Institute was re-admitted to membership under bye-law 38.

Change of Name

The Secretary reported that the following changes of name have been made in the Institute's records:

Smith, David Heath to Heath-Smith, David.
Thein, Maung Myint to Thein, Reggie Myint.
Worsdell, Edward Guy to Worsdell, Guy Tregelles.

Resignations

The Council accepted the resignations from membership of the Institute of:

Dunn, Bernard Hutton, F.C.A., a1936; Wynding Lea, Bamburgh, Northumberland.

Harvey, Richard Hulme, F.C.A., a1930; 160 Bunbury Road, Northfield, Birmingham 31.

Wilson, Fred, M.M., F.S.A.A., aS1930; 'Edgefield', Green Street, Green Road, Dartford, Kent.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Leslie Alfred Anderson, F.C.A., London.
,, Daniel Barratt, F.C.A., Manchester.
,, Geoffrey Oswald Canning, F.C.A., Bristol.
,, Marmaduke Wasley Chapman, F.C.A., Whitby.
,, Vincent Howard Egwad Evans, F.C.A., Cardiff.
,, Noel Gilbert, T.D., F.C.A., Worthing.
,, Patrick Stuart James Gordon, F.S.A.A., Beckenham.
,, William Leopold Hickes, F.C.A., Chichester.
,, Kenneth Hoare, F.C.A., London.
,, Joseph Andrew Holmes, F.C.A., West Chiltington.
,, Arthur Emerson Mercer, F.C.A., London.
,, Robert Henry Modlin, F.C.A., Sydney.
,, Reginald Herbert Nicholson, F.C.A., London.
,, Thomas Basil Quail, F.C.A., Nottingham.
,, Percival Lloyd Roberts, F.C.A., Nottingham.
,, Alfred Edward Scrutton, F.C.A., Ipswich.
,, Arthur Shaw, M.C., M.A., J.P., F.C.A., Dewsbury.
,, Andrew Harwood Smalley, F.C.A., Coventry.
,, Donald McNeill Taylor, F.C.A., Newcastle upon Tyne.

FINDINGS AND DECISIONS OF THE DISCIPLINARY COMMITTEE

Findings and Decisions of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 106 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at a hearing held on July 1st, 1964.

Overdue Subscriptions

The Committee heard 121 formal complaints preferred by the Investigation Committee each to the effect that the member concerned had failed to pay within four months of January 1st, 1964, the subscription then due and payable by him so as to render himself liable to exclusion or suspension from membership. The committee, having found the complaint proved in every case,

(*a*) ordered that each of the following twenty-one members be excluded from membership of the Institute:

James Allen Dickinson Barton, F.C.A., Colonial Secretariat, Gibraltar.

Cyril Alfred Black, F.C.A., 41 Stamford Hill, London N16.

Grace Cornelia Cox, F.C.A., Box 2120, Brown Mills, New Jersey, U.S.A.

Samuel Dean, F.C.A., 34 Kauika Road, Whangerei, New Zealand.

Ernest Francis Edwards, F.C.A., 93 Whitefield Road, Stockton Heath, Warrington.

Norman George Cranfield Frampton, F.C.A., Tower House, Street, Somerset.

Thomas Robert Herman Frank, F.C.A., 16 Woodlands Road, London SW13.

Peter Giblin, M.M., A.C.A., 153 Stockport Road, Cheadle, Cheshire.

Arthur Hesford, F.C.A., 98 Keith Road, Talbot Woods, Bournemouth.

Francis George Hockley, F.C.A., P.O. Box 458, Umtali, Southern Rhodesia.

Kenneth Jones, A.C.A., 6 Burneston Gardens, Bradford 6.

Charles Norman Newton, F.C.A., 225 Streetsbrook Road, Solihull, Warwickshire.

John Oliver, F.C.A., 239 Chestergate, Stockport, Cheshire.

Balram Bhagwanji Pandya, B.A.(COM.), A.C.A., 32 Greenway Road, Heald Green, Cheshire.

Albert William Parker, F.C.A., 72 Overstrand Mansions, Prince of Wales Drive, London SW11.

Raymond Victor Paul, M.C., F.S.A.A., P.O. Box 1381, 24 Beach Grove, Durban, South Africa.

Norman James Randall, F.C.A., 18 Ashburnham Gardens, Upminster, Essex.

Horace Evelyn Sier, F.C.A., 18 Crown Lane Gardens, Streatham, London SW16.

Maurice Clifford Simpson, A.C.A., 69 Stonesby Avenue, Leicester.

Frederick Andrew Stapleton, F.C.A., 14 Middleton Crescent, Beeston, Nottingham.

Norman Arthur Tye, F.C.A., Ashton Lodge, Quarry Park Road, Pedmore, Stourbridge, Worcs.

(*b*) decided that, of one hundred members who had tendered the full subscription before the date of the hearing, four be reprimanded and sixty-six admonished and that no action be taken against thirty, and that there existed special circumstances which justified the omission of the name of the member from the publication of the finding and decision in each case with the exception of the following two of the members who were reprimanded:

Benjamin Joseph Ableson, A.C.A., 229A Shaftesbury Avenue, London WC2.

Stanley Ernest Morgan, F.C.A., 95 Arrowe Road, Greasby, Wirral, Cheshire.

In Parliament

Income Tax: Season Tickets

Mr DAVID JAMES asked the Chancellor of the Exchequer what would be the cost to the revenue of allowing the cost of all season tickets by road and rail to be offset against tax.

Mr GREEN: Assuming that the cost of season tickets were to be allowed as a deduction against earned income, the loss of income tax would be of the order of £10 million.

Hansard. July 24th, 1964. Written Answers. Col. 153.

Wages, Salaries, Dividends and Company Profits

Sir RICHARD GLYN asked the Chancellor of the Exchequer if he will give the changes in percentages and in money terms of wages, salaries, dividends and company profits for the twelve months to the latest convenient date.

Mr GREEN: It is estimated that wages and salaries paid in the first quarter of 1964 were £363 million or just over 9 per cent higher than in the corresponding quarter of 1963. Separate figures of wages and salaries are not available. Gross trading profits of companies are estimated to have risen by £155 million or 20 per cent during the same period. These comparisons are, however, affected by the bad weather during the first quarter of 1963 which depressed both wages and profits, and particularly the latter. Comparable quarterly figures for payments of dividends are not available but summaries of the accounts of public companies compiled by *The Financial Times* show that companies reporting in the first quarter of 1964 had increased their ordinary dividends by just over 7 per cent compared with the previous year.

Hansard, July 27th, 1964. Written Answers. Col. 203.

Retirement Pensioners: Earnings Rule

Mr MACKENZIE asked the Minister of Pensions and National Insurance how many persons aged over 65 and under 70 years are in full- or part-time employment, but whose earnings do not exceed the figure laid down under the earnings rule.

Mrs THATCHER: Rather less than 50,000 men pensioners. I think it is a reasonable inference that the 280,000 men in this age group who are qualifying for increased pensions by postponing their retirement have higher earnings. I can make no corresponding estimate for women because neither the retirement test nor the earnings rule applies to them after the age of 65.

Hansard, July 27th, 1964. Written Answers. Col. 178.

Income Tax: Savings Bank Interest

Mr IREMONGER asked the Chancellor of the Exchequer whether he will amend the notes issued with income tax return forms to avoid possible ambiguity about the nature of the interest in Post Office Savings Bank accounts required of married women to qualify for £15 tax exemption in addition to that of their husbands.

Mr GREEN: As I said when writing to my hon. friend about the case I assume he has in mind, I do not think the present notes are ambiguous; but the Inland Revenue will consider whether they can be improved.

Hansard, July 28th, 1964. Oral Answers. Col. 1221.

Post Office Savings and Investments

Mr A. LEWIS asked the Chancellor of the Exchequer if he will state the worth of £100 sterling placed in the Post Office Savings account in 1951 at present-day values, after allowing for the depreciation in the £ sterling and the accumulation of interest rates; whether he will give the annual change since 1951 in a £100 investment, allowing for the £'s annual depreciation and the accumulation of interest; and whether he will increase the present rate of interest.

Mr MAUDLING: Taking June 1951 as the starting-point, £96 12*s*. The answer to the last part of the question is 'No, sir'.

Hansard, July 28th, 1964. Oral Answers. Col. 1222.

Coinage

Mr CLIVE BOSSOM asked the Chancellor of the Exchequer whether he will consider introducing a 4*s* or 5*s* piece in place of the present 2*s* 6*d* coin.

MR MAUDLING: No, sir.

Mr BOSSOM: As this country is gradually moving towards the adoption of the decimal system, could not we have 100*s* or £5 as the unit of currency? This formula would save hundreds of thousands of pounds. If it is worked out, could not the half-crown piece be discontinued? Then we would need only to get rid of the 3*d* and 6*d* piece later on. In the meantime, will not my right hon. friend consider this proposal? Can he tell us whether the Government will make a statement on the findings of the Halsbury Report, and what action will be taken?

Mr MAUDLING: These are very interesting suggestions, but they go rather wide of the original question.

Hansard, July 28th, 1964. Oral Answers. Col. 1215.

Surtax

Mr A. LEWIS asked the Chancellor of the Exchequer whether he will state the total amount he received from surtax in the financial year 1951–52 for those in the income bracket above £20,000 per annum; what was the rate of surtax at that time; if he will give similar details for the financial year 1963–64; and by how much the revenue would have increased in the latter year if the surtax level had remained the same as that in operation in 1951–52.

Mr GREEN: It is estimated that the surtax chargeable in 1951–52 on incomes exceeding £20,000 in 1950–51 totalled £32 million and that chargeable in 1963–64 on the same level of incomes in 1962–63 will total £61 million. The rate of surtax charged in 1951–52 on the slice of income over £20,000 was 10*s* 6*d* in the £ and in 1963–64, 10*s*. The average rate of surtax borne by incomes over £20,000 was nearly 43 per cent in 1951–52 and about 38 per cent in 1963–64. If all incomes over £20,000 chargeable in 1963–64 were taxed as they would have been in 1951–52, the extra surtax would have been about £7 million.

Hansard, July 28th, 1964. Written Answers. Col. 232.

Income Tax Act, 1952: Section 212

Mr LEAVEY asked the Chancellor of the Exchequer whether he will introduce legislation to amend section 212 of the Income Tax Act, 1952, so that educational establishments as defined in the Act will include establishments where mentally handicapped children receive education not presently recognized as such under the Act.

Mr GREEN: I have noted my hon. friend's suggestion for legislation, but there would be difficulties in relaxing the requirements of section 212 in relation to a particular class of children.

Hansard, July 28th, 1964. Oral Answers. Col. 1221.

Taxation: 1951–52 and 1963–64

Mr RIDLEY asked the Chancellor of the Exchequer what is the difference in yield between the present rates of taxation and those which appertained in 1951.

Mr GREEN: In 1951–52 taxation yielded £4,193 million, which represents 32·5 per cent of the gross national product; in 1963–64 the lower rates of taxation in force yielded £6,651 million, which represents 24·7 per cent of gross national product.

Hansard, July 28th, 1964. Written Answers. Col. 229.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS LEONARD LANE, SCOTTEN & CO, Chartered Accountants, of 34–40 Ludgate Hill, London EC4, announce with regret the death of their partner, Mr A. SCOTTEN, F.C.A., on July 21st, 1964.

MESSRS MORRIS GREGORY & CO, Chartered Accountants, and Messrs SOUTHWELL, TYRRELL & CO, Chartered Accountants, announce that they have entered into association. Mr BEN COLLINS, F.C.A., and Mr ANTONY D. COTTON, B.A.(COM.), A.C.A., became partners in SOUTHWELL, TYRRELL & CO on August 1st, 1964. The two firms will continue their separate practices but in addition MORRIS GREGORY & CO will practise from 3 Laurence Pountney Hill, Cannon Street, London EC4, and SOUTHWELL, TYRRELL & CO from 3 York Street, Manchester 2. Mr R. S. THOMPSON, A.C.A., who has been a member of the staff of SOUTHWELL, TYRRELL & CO for some years was admitted a partner in that firm on July 1st, 1964.

MESSRS MORRISH, WALTERS & CO, Chartered Accountants, of Provincial House, 98–106 Cannon Street, London EC4, announce that, as from August 1st, 1964, they are taking into partnership Mr MICHAEL JAMES SMYTH, F.C.A., and Mr PETER WILLIAM CHUBB, A.C.A. Mr CHUBB has been a member of their staff for many years. Mr SMYTH has been in practice since 1952 at 48–50 North End, Croydon, under the name of NORMAN J. SMYTH & CO. His practice will be amalgamated with that of MORRISH, WALTERS & CO and carried on under their name at 5 Lansdowne Road, Croydon.

MESSRS PRICE WATERHOUSE & CO announce that the address of their Manchester firm has been changed to Norwich Union House, 73–79 King Street, Manchester 2.

MESSRS PRICE WATERHOUSE & CO (Rhodesian firm) and CAUSTON ROUSE & CO announce that they have entered into an association as from July 1st, 1964, by which their respective practices will be conducted with identical partners, these comprising the present partners in the two firms. The associated practices will be conducted together in Salisbury, Bulawayo, Gwelo, N'dola and Francistown (Bechuanaland).

MR W. D. RICHEY, F.C.A., of 1 Newhall Street, Birmingham 3, announces with regret the death of his partner, Mr A. S. DRINKWATER. The practice of RICHEY & DRINKWATER will be continued by Mr RICHEY under the same name.

MESSRS TURQUAND, YOUNGS & CO announce that Mr N. R. FISHER, C.A., has been admitted a partner of their Far Eastern firms with effect from July 1st, 1964. Mr FISHER will be resident in Kuala Lumpur. The practices will continue to be carried on under the same style and from the same addresses as formerly.

LOANS TO LOCAL AUTHORITIES

New Rates of Interest

The Treasury have now directed that for the purposes of section 2 of the Public Works Loans Act, 1964, the following rates of interest shall apply to all loans advanced to local authorities, as defined in section 10 of the Local Authorities Loans Act, 1945, from the Local Loans Fund on and after August 8th, 1964:

	Lower		*Higher*	
	A.	*M.*	*A.*	*M.*
	Per cent		*Per cent*	
Loans for not more than 5 years	$5\frac{5}{8}$	$5\frac{5}{8}$	$6\frac{1}{8}$	$6\frac{1}{8}$
Loans for more than 5 years but not more than 10 years ..	$5\frac{5}{8}$	$5\frac{7}{8}$	$6\frac{1}{8}$	$6\frac{1}{8}$
Loans for more than 10 years but not more than 15 years..	$5\frac{3}{4}$	6	$6\frac{1}{8}$	$6\frac{1}{8}$
Loans for more than 15 years but not more than 25 years..	$5\frac{7}{8}$	$6\frac{1}{8}$	$6\frac{1}{8}$	$6\frac{1}{8}$
Loans for more than 25 years	6	6	$6\frac{1}{8}$	$6\frac{1}{8}$

The amount which an authority borrows within its annual quota will bear interest at the appropriate rate in the lower set of rates. Where authorities borrow further sums these will attract interest at the appropriate rate in the higher set of rates, unless the Public Works Loan Commissioners agree that it should be offset against the following year's quota. Different rates of interest apply according to whether a loan is repaid by way of half-yearly payments (A) or at maturity (M).

THE BRITISH UNITED PROVIDENT ASSOCIATION

Professional Group Rebate to be Reduced

Experience has shown that B.U.P.A. groups operated for professional and trade associations do not justify the same discount of 20 per cent applicable to company optional groups. B.U.P.A. is a non-profit making body; it is fundamental that no specific or particular segment of its population should be subsidized by the other subscribers. Accordingly, in order to retain equity between all subscribers the rebate for professional and trade association groups is being reduced to 10 per cent.

LIVERPOOL SOCIETY OF CHARTERED ACCOUNTANTS

Intermediate Prize

The Committee of the Liverpool Society of Chartered Accountants announces that its Intermediate Prize will be awarded to the candidate who, being a member of the Liverpool Chartered Accountant Students' Association or any one of its constituent branches, gains the highest place in the Institute's Intermediate examination held in May last (published elsewhere in this issue). The prize will take the form of a book to be chosen by the President of the Society.

It is the responsibility of the student to apply for the prize. Applications should state the position gained in the examination and should be sent to the Hon. Secretary, Liverpool Society of Chartered Accountants, The Library, 5 Fenwick Street, Liverpool 2, within two calendar months after the announcement of the results of the examination.

SOUTH EASTERN SOCIETY OF CHARTERED ACCOUNTANTS

Students' Residential Courses

The South Eastern Society of Chartered Accountants will hold its fifteenth annual students' residential tuition course in Brighton for final students from September 28th to October 2nd and an introductory course for newly-articled clerks from September 21st to October 2nd.

The latter is being held in conjunction with the Brighton Technical College, and the fee for the course is £3 3*s*. Arrangements for hotel accommodation can be made if desired.

Lectures at the final students' course are given by tutors from the accountancy correspondence schools, and the programme includes evening buffet meetings and a course dinner. Arrangements for hotel accommodation can be made if desired, and a grant is made towards the cost of such accommodation, and travelling expenses. The fee for the course is £5 5*s*.

An intermediate students' course and a second introductory course will be held in December, details of which will be announced later.

All students, whether or not within the area of the South Eastern Society, wishing to attend should apply during August for registration forms and further particulars to Mr T. T. Nash, F.C.A., 33 Lawrence Road, Hove 3, Sussex.

SEVENTY-FIVE YEARS AGO

FROM *The Accountant* OF AUGUST 10TH, 1889

The Institute of Chartered Accountants in England and Wales

Special General Meeting

A Special General Meeting of the members of the Institute was held on the 7th August, 1889, at three o'clock, at 3, Copthall Buildings, E.C., for the purpose of authorising the Council to expend money in the erection of a hall and offices, and of authorising the Council to enter into an agreement for ceding a portion of the Coleman Street Buildings site to the Commissioners of Sewers. Mr. J. J. Saffery, F.C.A., the President, occupied the chair.

The Secretary having read the notice convening the meeting—

The President referred the members to those paragraphs of the last Annual Report of the Council, referring to the steps which had been taken with regard to the acquisition of the site, and the erection of a building thereon. Tenders had been received from ten selected firms of builders, who had been invited to compete for the erection of the building, and the lowest, that of Messrs. Bissett and Sons, Sheffield, had been accepted. The amount of the lowest tender (£22,996) was, the Chairman explained, higher than the architect's original estimate of £17,250, but the amount would be reduced to the extent of £2,000 by certain alterations in the details of the work; and he read a special report of the architect showing how certain alterations in the plans, increasing the size of the building, and improving the light and the accommodation generally, partly accounted for the increase. Other unavoidable expenses would further add to the cost of erection, and the Council felt that in accordance with legal advice, the proper course would be to ask the members to pass a resolution in pursuance of sec. 10 of the Charter, placing a certain sum of money at their disposal for the proper erection and decoration of the building. The following resolution was then moved, seconded, and carried unanimously:—

> "That the Council be at liberty to expend in the erection of the proposed new building (of which the plans were submitted to the meeting) a sum not exceeding £32,000".

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

RESULTS OF EXAMINATIONS HELD IN MAY 1964

FINAL EXAMINATION

Certificates of Merit and Prizes Awarded

First Certificate of Merit, the Institute Prize, the W. B. Peat Medal and Prize, the Frederick Whinney Prize and the Plender Prizes for the papers on Advanced Accounting (Part II), General Financial Knowledge, Cost and Management Accounting and English Law (Part I)

Gough, Charles Brandon (M. E. Smith), London

Second Certificate of Merit and the Walter Knox Scholarship

Langridge, Alan Charles (A. E. Burton), London

Third Certificate of Merit and the Charles M. Strachan Prize

Ellington, Richard Thomas Padfield (C. Romer-Lee), London

Fourth Certificate of Merit

Bradley, John Neil (J. F. Kinnersley), Bristol

Fifth Certificate of Merit

Nichols, Brian Frederick (P. G. S. Kiely), Reading

Sixth Certificate of Merit and the Plender Prize for the paper on Taxation

Cripps, Brian Ernest (T. E. Dane), Manchester

Seventh Certificate of Merit and the Plender Prize for the paper on English Law (Part II)

Silverbeck, Michael Harrison (R. H. Walker), Liverpool

The William Quilter Prize

Hankinson, David Roger Lindon (E. E. P. Maltby), London

Plender Prize for the paper on Advanced Accounting (Part I)

Crack, Brian Reginald (N. F. Holland), London

Plender Prize for the paper on Auditing

Luckett, Nigel Frederick (J. H. Purslow), Walsall

Full List of Names of Successful Candidates

(The name shown in brackets is the name of the principal to whom the clerk has been articled. Where the name of the principal is not given the candidate is a former bye-law candidate of the Society continuing his qualifying service not under articles.)

Abbasakoor, U. N. (T. J. Newman), London
Abrahams, N. L. (I. F. D. Hill), Liverpool
Acheson, D. W. (W. S. W. Fone), London
Adams, J. T. (W. G. Adams), London
Adams, P. E. (R. Tunnard), Wisbech
Adams, R. A. (E. C. Turner), Birmingham
Adey, J. V. (L. F. Durman), London
Agutter, R. D. (S. A. Forster), London
Ahmed, I. (R. M. Filer), London
Ainsworth, R. C. (A. E. M. Harbottle), Bristol
Airey, E. J. (B. L. Hartley), Blackburn
Akinmade, A. Y. (A. Wilson), London
Alers-Hankey, I. R. (S. V. P. Cornwell), Bristol
Allam, A. L. (Miss) (J. A. K. Collins), Newport, I.W.
Allan, J. H. B. (P. D. Sugden), Leeds
Allday D. J. (D. R. Chilvers), London
Allen, J. P. (H. J. Bates), Derby
Allen, P. M. (A. C. Unthank), London
Allen, S. A. (A. R. H. Mullett), Dudley
Allsop, K. F. W. (R. W. Brazier), London
Almond, P. (J. N. Rogers), Liverpool
Ames, C. B. (D. M. Parkes), Bristol
Anderson, D. J. (A. E. B. Foxwell), Kettering
Ani, A. A. (N. C. Elliott), London
Antipoff, J. R. (A. C. Durrant), Tonbridge
Armstrong, J. E. (L. R. Trill), London
Armstrong-Flemming, N. H. G. (D. J. Pyne-Gilbert), London
Arrand, N. (R. H. R. Marshall), Grimsby
Askew, A. E. (S. S. Collins), London
Aston, A. L. (C. B. Sebire), London
Aston, A. P. C. (R. A. Folland), Birmingham
Ataullah Khan, A. R. (C. J. Jeffries), London
Atkinson, J. S. (W. Dargue), Leeds
Atwood, H. G. R. (D. Smith), London
Aukland, D. (J. A. Robinson), St Helens
Austin, M. (W. G. Caldwell), Warrington

Bagnall, D. L. (N. F. Griffith), Kendal
Bailey, J. R. (E. C. Smith), Manchester
Bain, R. J. S. (D. J. Kean), London
Baines, G. C. (W. W. Ward), London
Baker, A. R. A. (I. W. Park), Oxford
Baker, C. (A. L. Poole), London
Baker, E. W. (M. Ward), South Shields
Baker, R. D. (J. P. Davey), Ipswich
Ball, A. E. (C. B. Holland), London
Balshaw, R. T. (F. C. B. Ashby), Scarborough
Baltaian, B. (F. M. Kellett), Newcastle upon Tyne
Bancroft, M. H. (H. W. Norman), London
Barber, K. G. (A. C. Goddard), London
Barfield, A. V. H. (R. G. R. Sisson), Great Yarmouth
Barker, A. D. (B. R. Cahill), Leeds
Barker, J. R. D. (W. R. Jenkinson), Sheffield
Barnett, A. J. (C. W. McCormack), London
Barnwell, J. (C. E. Free), York
Barraclough, K. C. (G. A. Bell), Manchester
Barrand, R. W. (C. A. Solly), London
Bartlett, P. A. (H. T. Ogden), Cheltenham
Basten, L. T. A. (P. S. Tanswell), Twickenham
Bates, A. E. H. (C. Halpern), London
Baulcombe, W. F. (E. S. Hall), Solihull
Baxter, R. T. (Sir William Carrington), London
Bays, J. N. (G. Carew-Jones), London
Beak, T. J. (L. H. Fink), London
Beard, M. W. (G. E. Sawtell), Stourbridge.
Bendel, A. P. (K. Scott), London
Bennett, G. F. (J. B. Ellis), Buxton
Bennetts, H. P. (F. Warren), Camborne
Bentall, L. E. (Sir Harold Gillett), London
Best, P. (J. P. C. Gothard), Liverpool
Bevan, M. L. (L. V. Hazlewood), Birmingham
Bhattacharya, S. (J. R. N. Travis), Manchester
Bindlish, R. K. (D. Warner), London
Birchall, C. W. D. (R. Watson), Liverpool
Birt, S. J. L. (D. J. Ginnings), London
Bishop, R. D. (E. B. Bate), Bristol
Blackburn, D. (C. F. Hughes), Walsall
Blanchard, P. (A. S. Price), Leicester
Blatcher, D. (P. C. G. Larking), Maidstone
Boampong, S. A. (S. A. Fabes), London
Boden, C. W. (W. S. Green), Stoke-on-Trent
Bogard, M. C. (A. G. H. Marks), London
Bolitho, J. F. (D. K. Adams), Liverpool
Bolton, A. M. (R. H. More), London
Boot, R. F. (formerly with D. Sirkin, deceased), Leicester
Bordoley, M. (E. N. Goodman), London
Bose, S. (M. A. Coates), London
Bott, G. B. (J. I. Calcott), Leamington Spa
Bouch, W. V. (E. J. H. Clarke), London
Boulton, M. J. (C. H. Kershaw), Sheffield

Bowler, P. B. (W. H. Thomas), Liverpool
Bown, N. N. (A. S. Watson), Southampton
Bradley, J. N. (J. F. Kinnersley), Bristol
Bradshaw, J. R. (D. A. Boothman), Manchester
Brain, A. M. (Mrs) (R. F. George), London
Braithwaite, H. P. (J. W. Berriman), Middlesbrough
Bramall, G. S. (F. Hyatt), Sheffield
Brand, M. A. (K. L. Collin), Sheffield
Brass, P. T. (S. K. Tubbs), London
Bravo, G. P. (S. Kriteman), London
Brayshaw, E. M. (R. Walton), Leeds
Breton, R. A. (E. W. G. Joicey-Cecil), London
Brewis, R. A. (R. F. George), London
Briggs, D. (K. G. Shuttleworth), Sheffield
Brilliant, V. E. (D. S. Morpeth), London
Bristow, A. L. (W. A. Hand), London
Brough, B. (C. Luxton), Bradford
Brown, J. G. (J. B. Martin), Liverpool
Brown, J. N. (E. F. Weston), London
Brown, J. R. (R. F. Hayllar), London
Browne, G. J. P. (D. W. Jennings), Bristol
Brummitt, D. (J. Christie), Huddersfield
Bryant, E. H. (W. L. Heather), London
Bryant, G. R. (F. S. Bray), London
Bryce, M. S. (D. B. Ward), Newcastle upon Tyne
Buckley, B. B. (W. Hare), Blackburn
Buckley, M. A. C. (G. Place), East Grinstead
Buffham, B. L. (F. J. Trevers), London
Bulley, A. M. (G. A. Lillywhite), Slough
Burden, E. T. (H. G. P. Lewis), Southsea
Burgess, R. M. (F. Steward), Ipswich
Burgin, K. R. (D. V. Hinkley), London
Burn, C. C. (L. Blackie), London
Burns, R. (G. R. Hargreaves), Chester
Burridge, R. V. (H. C. M. Lewis), Eastleigh
Burrows, R. K. (F. G. Ashton), Leicester
Burton, C. P. (C. D. G. Severn), Reading
Bushell, J. H. (S. J. D. Corsan), London
Butcher, A. E. W. H. (F. H. Turner), Lincoln
Butterfield, A. C. (W. E. Johnson), London
Butterworth, B. (P. Sheard), Huddersfield
Byrd, E. G. (W. E. Carnelley), London

Cain, W. J. (S. Hague), Liverpool
Cambridge, M. B. (E. D. Jehring), London
Cameron, I. N. (G. M. C. Crowder), London
Cameron, N. A. (R. W. Whittaker), London
Cant, A. P. (J. B. Martin), Liverpool
Carey, C. de L. (P. D. P. Smith), Guildford
Carr, B. M. (H. J. H. Greenacre), London
Carratu, N. F. R. (J. H. M. Flew), London
Carroll, W. H. (K. A. Millichap), Manchester
Carter, G. M. C. (A. E. C. Hartnell), London
Carter, W. D. A. (D. A. Clarke), London
Caseley, R. G. H. (T. R. Cubitt), London
Castleton, T. D. (J. T. Corbett), London
Catchpole, E. S. (P. R. Johns), Yeovil
Catto, P. M. I. (P. Sober), London
Chakravarty, H. R., Calcutta
Chambers, J. E. (W. N. Chick), Nottingham
Chan, R. S. H. (Miss) (B. Garbacz), London
Chapman, A. B. (H. Peat), London
Charnaud, C. A. (G. W. Dunkerley), London
Chhabra, K. C. (S. Winograd), London
Cholmeley, J. M. (P. G. Corbett), London
Christlieb, J. A. (C. E. M. Emmerson), London
Clark, A. F. B. (C. G. Johnston), London
Clark, A. G. (J. K. Patrick), Sheffield
Clark, A. M. (H. C. M. Lewis), Eastleigh
Clark, T. M. (C. J. Comins), London
Clarke, P. J. F. (K. S. Peirson), Coventry
Clark Hutchison, G. A. (W. B. S. Walker), London
Clasen, A. B. P. (R. M. Peat), London
Clayton, P. G. (J. H. Wilkinson), Macclesfield
Clee, K. G. (R. T. Smith), Rhyl
Coakes, R. J. (S. G. Dowden), Bournemouth
Coates, G. C. (J. D. W. Marle), Bristol
Cohen, B. J. R. (E. T. Wood), London
Cohen, D. M. (C. Metliss), London
Coleman, D. A. (C. W. Allan), Bradford
Colley, B. W. (A. A. Bradshaw), Cranleigh
Collier, S. (H. S. Stafford), Manchester
Collum, H. R. (S. J. D. Corsan), London
Comer, D. D. S. (C. J. Armstrong), London
Connah, M. T. (A. D. Chegwidden), Ilford
Connett, R. (H. Hudson), Dudley
Conran, C. C. (A. W. Dalling), Brighton

Conway, P. (D. Mahoney), London
Cook, A. V. C. (T. M. L. Marke), London
Cook, A. R. C. B. (A. H. Farquhar), London
Cooke, D. (E. P. Thornhill), Bristol
Cooke, G., Hull
Cooper, J. E. (D. H. Whinney), London
Cooper, J. W. (D. Duckett), Leeds
Copestick, A. R. (K. W. G. Webb), London
Corson, J. R. (A. D. Inglis), London
Coupland, W. D. (S. M. Lever), London
Cowperthwaite, J. L. (E. R. Nicholson), London
Cox, R. B. (J. C. Howard), London
Crack, B. R. (N. F. Holland), London
Cradock-Henry, C. J. (G. H. Vieler), London
Crammond, J. J. (F. W. English), London
Cranleigh-Swash, P. A. (P. Peters), London
Creamer, J. E. (J. H. Grove), London
Cresswell, P. C. (C. H. Smith), Birmingham
Cresswell, R. D. A. (M. R. Landau), London
Cripps, B. E. (T. E. Dane), Manchester
Croft, R. J. (M. B. Hewitt), Leeds
Crook, D. M. (J. C. Brown), Manchester
Crow, D. B. S. (E. G. Mathias), Tavistock
Croxton, F. W. (T. C. Wood), Dudley
Curtis, P. J. (P. T. Comber), London
Curwin, R. N. (P. B. James), London

Daly, J. J. (M. I. Tailby), Birmingham
Daubeney, C. N. (P. G. Barber), London
Davies, D. J. (J. Bromley), Southampton
Davies, N. R. (A. V. J. More), Manchester
Davies, S. G. T. (R. J. Butterworth), London
Davis, C. P. (J. T. Corbett), London
Davis, G. F. (G. D. Farmiloe), Birmingham
Davis, M. (G. H. Kelsey), Lincoln
Dean, B. H. (P. F. Cansdale), Chesham
Deane, J. E. (C. F. Middleton), London
Desai, S. K. (T. C. Middleton), Newcastle upon Tyne
Dewar, R. D. (D. A. Bussell), Clapton-in-Gordano
Diamantino, C. A. S. (E. C. Jones), London
Dieffenthaller, G. A. (A. T. Ratcliff), Birmingham
Dinan, M. D. P. (J. V. Crump), London
Dodds, B. A. (R. F. J. Partridge), Romford
Doel, H. F. (R. W. Wheeler), London
Downing, M. J., Hull
Driscoll, J. R. (J. Thornton), Oxford
Duckworth, S. R. (T. D. Carnwath), Manchester
Duggan, S. W. (J. E. H. Beresford), London
Dunford, P. (Miss) (S. Varey), Reading
Dunkerley, E., Chesterfield
Dunlop, K. M. H. (R. Walton), Leeds
Dunscombe, R. J. (L. H. Andrews), Horsham
Dykes, J. B. (M. A. Coates), London

Eccleston, D. J. (G. Walmsley), Wrexham
Edwards, C. J. (A. H. Farquhar), London
Edwards, D. (L. King), Liverpool
Edwards, F. A. (R. J. Brooks), Liverpool
Edwards, M. G. R. (C. W. Puckett), Torquay
Ellington, R. T. P. (C. Romer-Lee), London
Elliott, P. A. (H. Wharam), Sheffield
Ellis-Jones, D. C. (S. J. Clark), Southampton
Ellison, J. (F. Pittock), London
England, G. E. R. (C. J. B. Andrews), Bournemouth
England, J. C. (W. R. Heatley), Coventry
English, A. J. (I. W. Frazer), London
English, W. (E. G. Little), Carlisle
Enoch, M. S. (H. Rainsbury), London
Entract, M. (D. G. Bee), Preston
Evans, R. L. (P. R. N. Stewart), Nottingham
Ewedemi, O. B. (S. B. Smith), London
Eykyn, W. J. (R. G. Pegler), London

Falconer, B. H. (J. F. Parrott), London
Falconer, W. E. G. (J. B. Nicholson), High Wycombe
Farmer, H. T. (D. A. J. Draper), London
Fearne, J. J. (W. Murphy), Loughborough
Feingold, J. G. (J. J. Lopian), Manchester
Fellows, A. E. M. (R. C. P. Wheeler), Sudbury, Suffolk
Field, R. A. (F. W. Barnes), London
Fielding, D. H. (H. G. Mack), London
Filer, V. P. (P. B. Johnson), London
Fisher, R. S. (A. A. Bradshaw), Cranleigh
Fletcher, M. E. (D. R. Chilvers), London
Foley, J. (S. J. Clark), Southampton
Ford, D. (P. Parr-Head), London

Forwood, A. A. (L. W. Gatenby), London
Foster, B. A. (H. R. Powell), Dudley
Foster, K. J. (H. B. Cookson), Birmingham
Francis, J. E. (J. I. Calcott), Leamington Spa
Fraser-Harris, B. D. (T. Edmeades), Portsmouth
Freebody, R. A. (R. G. Pegler), London
Frei, A. (S. R. Russell), London

Gaisford-St Lawrence, J. F. (P. R. Frere), London
Gardner, A. M. (H. A. Snelling), London
Garratt, S. L. (J. B. Worley), London
Gatchfield, J. V., Nairobi
Gatoff, L. H. (D. B. Ward), Newcastle upon Tyne
Gauthier, J. P. H. (P. H. Smith), London
Gee, R. L. (G. S. H. Dicker), Great Yarmouth
Gibbs, A. A. (L. W. Huggins), Gloucester
Giles, R. (C. J. Bailey), Sheffield
Gill, R. E. (W. C. Nelson), Wolverhampton
Gillard, A. J. (T. A. Wyatt), Bath
Gillian, M. W. (F. W. English), London
Girdlestone, T. C. (J. P. C. Richardson), London
Glover, C. E. (G. S. Pitt), London
Golding, E. R. (S. Gainsley), London
Goodall, D. J. (E. R. Nicholson), London
Goodall, S. (B. Halpern), Manchester
Goodban, C. J. (H. M. Sayers), London
Goodman, D. S. (D. Israel), London
Goodwin, P. R. (G. F. R. Baguley), London
Gough, C. B. (M. E. Smith), London
Gould, M. J. (J. E. Jackson), Kendal
Graham, W. R. (W. N. Kilgour), Carlisle
Grant, I. C. (C. B. Cawthorne), London
Grapes, J. C. (D. R. Fray), Southampton
Graves, A. D. (F. J. H. Jones), London
Greenhill, K. (A. S. Price), Leicester
Greenwood, G. E. (G. B. Reeder), Stockport
Gregory, P. (formerly with J. L. Smith, deceased), Market Harborough
Gresty, P. J. (H. Sharp), Manchester
Griffin, T. J. (R. H. Nicholson), London
Griffiths, D. (W. V. N. Charles), Llanelly
Gurrie, L. A. (H. Gould), London
Guttentag, C. (E. Miskin), London
Guy, R. W. (J. R. Dyas), Wellington, Salop

Hacking, D. R. (J. Smalley), Manchester
Haines, M. P. (G. Westcott), Pontypridd
Hallas, G. (D. B. Simpson), Huddersfield
Hallsworth, N. E. (D. J. T. Corbett), Nottingham
Hamel, J. A. (R. L. Mills), Newcastle upon Tyne
Hamer, A. M. G. (J. R. Briggs), London
Hammond, A. A. (A. G. Mortimer), London
Hancock, N. L. (J. F. S. Rogers), London
Hankinson, D. R. L. (E. E. P. Maltby), London
Harding, B. G. (K. P. Pool), London
Hargreaves, J. R. (J. H. Bradley), Liverpool
Harrison, D. B. K. (D. J. Hill), London
Harrison, J. R. de W. (The Hon. J. W. Remnant), London
Harrison J. T. (G. A. Raines), London
Harrison, R. D. (G. L. Wiener), London
Hart, B. (W. G. C. Oliver), Burton-on-Trent
Hart, P. E. (E. H. Head), London
Hartley, A. S. M. (B. F. Wheeler), London
Hashimi, F. A. (S. R. Hogg), London
Hawes, B. H. (F. Webb), Manchester
Hawkins, A. C. S. (A. H. B. Wood), London
Hayes, C. N. (R. J. R. Gallaway), Manchester
Helyer, G. J. (N. W. Murray), London
Hendon, R. (M. Britz), London
Henrey, R. J. E. (D. R. Chilvers), London
Heppell, M. (J. H. Mann), London
Hesketh, A. N. (J. C. Chapman), Manchester
Hewetson, J. F. (K. S. Withers), Manchester
Hewett, J. C. B. (G. R. A. Wixley), London
Heywood, G. R. (G. A. J. Morris), London
Hibbert, G. S. (J. D. Hamer), Manchester
Hickey, K. T. (J. B. Guest), London
Higginson, M. (R. E. Wright), Luton
High, M. (R. L. Harrison), London
Hill, B. D. (N. D. B. Robinson), Manchester
Hill, C. J. R. (A. S. Willies), London
Hill, N. W. (J. R. Burne), Liverpool
Hill, R. D. (W. M. Atwood), London
Hill, S. A. (D. R. Maddox), Bournemouth
Hiscock, B. J. (D. T. Veale), Leeds
Hobbs, R. E. (P. F. Carpenter), London
Hobson, J. R. (A. J. Ayling), London
Hodgkinson, P. R. D. (R. A. Coupland), London
Hodgson-Earker, M. J. (J. C. Hounsfield), London
Hogg, N. D. (R. G. Tilley), London
Holden, R. J. (A. V. J. More), Manchester
Holder, B. R. (B. C. Berkinshaw-Smith), London
Hollis, A. S. (F. L. Webb), London
Holmes-Johnson, P. H. (C. Romer-Lee), London
Hooper, A. W. (G. L. Bloom), London
Hope, R. S. (R. C. C. Rawlins), London
Hopkins, W. J. (R. J. Latimer), London
Horn, J. M. (H. O. H. Coulson), London
Hornabrook, C. M. (A. H. Cruickshank), Andover
Hossain, A. K. M. M. (H. P. Allsop), Birmingham
Hough, P. J. (J. M. Hough), Newcastle upon Tyne
Houghton, M. C. (S. V. Lancaster), Birmingham
House, F. A. (M. Holt), London
Howard, R. G. (E. J. N. Nabarro), London
Howgate, J. M. (D. J. Fairhurst), Wigan
Hughes, D. E. (H. Aldred), Chester
Hulme, M. (A. D. Fincham), London
Hulton, F. W. (Sir Henry Benson), London
Humphreys, T. L. (F. R. Reber), London
Hunn, G. M. G. (B. A. Gee), London
Hunt, A. W. (J. P. C. Richardson), London
Hunt, G. (I. F. Halliday), Huddersfield
Husband, T. G. (S. G. Sillam), London
Hutchings, R. J. (M. W. Trott), Axminster
Hyatt, I. A. (D. F. Byrne), Kingston upon Thames

Isola, F. A. (C. K. Stansfield), London
Ive, C. A. W. (W. R. Carter), Manchester

Jackman, J. M. E. (Miss) (N. J. Dodd), London
Jackson, J. G. (D. J. Kean), London
Jackson, P. C. (G. H. Smith), Bradford
Jaffer, N. M. (E. H. Leigh), London
Jaffrabadwalla, A. K. (F. E. Ellis), London
James, C. P. L. (A. F. Warren), Newton Abbot
James, G. R. (R. G. Leach), London
James, G. W. (J. K. King), London
James, R. A. (G. A. Chugg), Cardiff
Jameson, A. C. (R. H. Weston), Liverpool
Jamieson, J. M. (F. B. Massey), London
Jane, M. C. (A. Riley), London
Jenkin, D. L. (E. G. Mathias), Tavistock
Jenkins, C. F. (R. A. Folland), Birmingham
Jewison, C. P. (D. R. Maddox), Bournemouth
Johnson, R. W. (K. Jackson), Harrow
Johnston, A. B. (F. J. Frodsham), Liverpool
Jones, B. (F. Jones), London
Jones, J. E. (T. R. Keens), Luton
Jones, N. B. (E. Corcoran), Manchester
Jones, R. F. B. (A. K. Sheppard), Norwich
Jones, T. J. (S. Garner), Manchester
Jordan, D. J. (G. C. B. Gidley-Kitchin), London
Jouault, E. R. (D. D. Rae Smith), London
Joynson, D. (P. Gandy), Warrington
Judd, D. H. (R. W. C. Dunn), Birmingham
Justice, W. D. A. (M. H. Cabourn Smith), London

Kanaan, J. N. (T. S. Mullarkey), London
Kauffman, M. A. (L. Goldwyn), London
Kearne, R. T. (B. W. Lawley), Birmingham
Keefe, T. W. (R. Munns), London
Kennedy, F. K. (E. D. Cox), Birmingham
Kennish, R. W. (D. D. Rae Smith), London
Kent, J. F. (P. G. Corbett), London
Kershaw, Rt Hon. Lord of Prestwich (W. E. Ogden), London
Khan, A. H. (B. I. Freedman), Cardiff
Khan, F. (V. A. Tudball), London
Khanna, P. C. (P. G. Wenham), London
Khindaria, V. K. (C. G. Hayes), London
Kiddell, J. E. (W. A. Croft), London
Kinder, J. R. (P. G. Corbett), London
King, A. C. W. (E. L. Upshaw), Norwich
King, S. W. (P. T. G. Snuggs), Bournemouth
Kirpalani, H. L. (R. S. Wainwright), Leeds
Knight Jones, G. (P. F. Granger), Nottingham
Koenig, J. T. J.-C. M. (M. J. Bowman-Vaughan), London
Kutner, M. (H. Jacobs), London

Lacey, D. A. C. (W. A. Lamerton), London
Lall, D. B. (H. L. Franks), Manchester
Langridge, A. C. (A. E. Burton), London
Lassman, J. D. (W. H. Hutchinson), Newcastle upon Tyne
Laurie, G. R. (J. P. Grenside), London
Law, I. R. (F. O. M. Smith), London

Lawrence, J. F. (R. C. Fripp), London
Lawton, V. C. (C. S. Shaw), Birmingham
Layton, P. R. D. (S. Young), London
Leal, L. V. (C. B. Umney), London
Leaver, A. M. (H. W. V. Pullan), London
Lee, C. K. (F. W. English), London
Lee, J. R. L. (G. M. Bickerton), Manchester
Lehrer, J. E. (T. G. Buckingham), London
Lekhyananda, S. (J. A. Don Fox), London
Le Rossignol, G. (L. A. Picot), Jersey
Leslie, R. S. (I. G. de Mesquita), London
Letham, I. R. (A. H. Walton), Manchester
Lewis, B. (D. L. Stephenson), Grimsby
Lewis, B. R. (H. B. T. Wilde), Birmingham
Li, A. F. S. (F. S. Young), London
Lipthorpe, K. (J. A. Cook), Stockton-on-Tees
Lister, J. T. (D. N. Curitz), Cardiff
Little-Gill, B. E. (J. C. Fields), Doncaster
Livermore, A. W. (W. F. Baines), London
Livesey, I. (J. C. F. Bolton), Manchester
Lock, M. D. (E. R. Nicholson), London
Lomas, A. (J. B. Ellis), Buxton
Lomas, K. J. (L. R. Cole), London
Longland, J. L. (B. T. Barker), London
Lord, R. W. (N. B. Godfrey), London
Luckett, N. F. (J. H. Purslow), Walsall
Lui, W. C. (T. Y. Whittingdale), London
Lund, H. N. (R. D. Curtis), London
Lyon, I. G. (P. R. N. Stewart), Nottingham

McDonald, K. S. (J. E. Hilton), Newcastle upon Tyne
McEwan, D. (R. P. Winter), Newcastle upon Tyne
MacInnis, I. W. (R. E. Osborne), London
Mackenzie, A. J. (C. J. M. Bennett), London
Macleod, H. T. A. (B. F. Wheeler), London
McPhee, D. (J. Lamb), Newcastle upon Tyne
Maggs, C. J. D. (S. Jackson), London
Maguire, P. (E. D. Q. D'Alton), London
Mahamadi, H. (C. G. Brown), London
Maidment, A. T. (C. Couchman), London
Malik, A. R. (P. R. Hart), London
Mallinson, P. H. (J. H. Mallinson), Manchester
Mangham, G. A. (M. Farmer), London
Manjra, M. Y. (H. W. V. Lodge), London
Mansell, C. H. (F. G. Peacock), London
Mansoor, M. M. (P. P. Parker), London
Margeot, M. J. P.-G. (R. F. Sumner), London
Marginson, T. B. (F. Pickup), Preston
Marsh, M. J. (W. J. Brereton), London
Marsh, M. R. L. (J. Sims), London
Marsh, S. R. B. (K. B. Bristow), London
Marshall, I. (R. Varney), Spalding
Marshall, R. D. (H. R. Wintrip), Newcastle upon Tyne
Martin, K. C. (K. G. Winward), Watford
Martin, P. H. (L. E. Swallow), London
Martin, S. (G. E. Hedgman), London
Martindale, W. G. London
Mason, R. (D. P. Lloyd), Dudley
Massey, P. B. (C. H. King), London
Masters, D. (E. J. Simmonds), London
Matchan, P. L. D. (I. G. Hunter), Portsmouth
Matravers, J. C. D. (M. Hall), Ilminster
Matterman, C. (K. F. Paine), London
Matthews, G. F. H. (J. A. Adams), London
Matthews, L. (W. H. Jones), Swansea
Maughan, C. J. S. (N. H. Russell), Birmingham
Meadowcroft, J. (J. L. Bird), Brentwood
Meakin, J. D. (G. A. J. Morris), London
Meredith, C. T. A. (L. F. Jones), Wolverhampton
Merle, G. D. (D. D. Rae Smith), London
Merrey, A. J. (E. J. Stone), Northampton
Michael, P. V. (P. W. Barrows), Birmingham
Michie, B. (H. C. Jackson), Sheffield
Middle, R. E. (J. M. Keeping), Dorchester
Middleton, M. J. (A. H. Miller), Eastbourne
Millar, A. B. (G. S. Beesly), London
Millard, J. R. (K. L. Young), London
Miller, B. V. (W. H. Tarn), London
Miller, P. G. G. (I. R. McNeil), Hove
Mills, R. M. (R. Curzon), Colchester
Mitcham, A. J. (D. W. Turner), Wisbech
Mitchelmore, J. R. J. (J. Portergill), Banbury
Moir, E. M. (H. D. Anthony), London
Monaghan, J. F. (F. A. H. Skinner), London
Moorcroft, M. (Miss) (J. W. Lane), London
Moore, P. M. (W. E. Beddington), Derby
Moorhouse, D. (J. M. Richards), Bradford

Moran, B. W. (H. Myers), Newcastle upon Tyne
Morant, W. A. (H. G. Ayres), London
Morcher, C. J. (J. F. Shearer), London
Morgan, W. E. K. (F. O. M. Smith), London
Morison, A. G. (W. McD. Morison), London
Morrell, J. C. (R. R. Coomber), London
Morrell, P. H. (L. D. Morse), London
Morris, The Hon. M. D. (C. B. Pearce), London
Morris, R. C. (A. Parker), London
Morton, A. L. (J. W. L. French), Dunstable
Mossford, A. C. E. (J. R. C. Wever), Cardiff
Murphy, D. N. (J. R. H. Godkin), Loughborough
Murray, K. W. (D. H. D. Freeman), London

Nanda, S. P. (R. B. de Zouche), Liverpool
Neal, T. H. (E. S. Hall), Solihull
Neale, M. F. (J. A. Rosser), London
Neame, S. D. R. (B. Morgan), London
Neil, J. A. (D. C. Burling), London
Nellist, R. H. H. (C. L. Woolveridge), London
Nelson, W. J. (J. M. Harrison), Liverpool
Nerurker, V. G. (D. B. Hirshfield), London
Neufeld, V. J. (D. L. Seligman), London
Newland, P. (E. R. Longman), Leeds
Newman, J. M. (F. Goldstein), London
Nicholas, M. R. (A. F. Hannam), Cardiff
Nichols, B. F. (P. G. S. Kiely), Reading
Nichols, M. D. (F. Broadie), Manchester
Nock, L. (E. Lord), Birmingham
Norris, K. J. (J. D. Tyrer), Wigan
Norton, I. B. (W. N. Bassett), Birmingham
Norton, J. C. (E. E. P. Maltby), London

Oakley, E. R. (F. L. K. Crowe), Weston-super-Mare
Oakley, W. M. (H. M. Pritchard), Birmingham
O'Farrell, N. P. (B. A. Maynard), London
Ogboye, B. D. A. (L. R. Trill), London
Okoye, D. O. (S. G. G. Ohly), Hove
Oliver, G. S. (P. R. Hackett), Birmingham
Ormond, J. P. S. (H. J. Binder), London
Orttewell, A. F. (J. P. Grenside), London
O'Sullivan, K. C. (C. R. Daniel), Cardiff
Oury, R. A. (W. H. Oury), Slough
Owen, E. T. (A. Hill), Liverpool
Owens, I. R. B. (K. B. Jefferies), Cardiff

Pack, J. W. (D. C. Hobson), London
Page, T. R. (A. E. Donnelly), Portsmouth
Pal, P. R. (R. K. Briscoe), London
Palfreyman, D. E. (C. H. Coxen), Birmingham
Palmer, J. A. (P. B. Norledge), London
Papworth, G. C. (G. R. Appleyard), London
Parker, D. R. (F. Croxson), London
Parker, T. R. N. (C. P. Perriam), Exeter
Parkin, T. R. (J. W. Merryweather), Sheffield
Parry, K. F. (F. Crosland), Huddersfield
Parry, R. G. P. (A. G. Kyrke), Coventry
Paul, C. D. (F. W. Charles), London
Pavey, K. (A. J. Benjafield), Wells
Pavey, K. H. (C. F. Horton), Maidstone
Payne, T. (A. W. Dawson), Southsea
Pearce, D. G. (W. F. Curtis), Exeter
Pearce, E. J. (J. B. Davison), Bromsgrove
Pears, E. R. W. W. (D. H. Whinney), London
Pearson, I. N. G. (A. D. Wardle), London
Peat, R. (R. M. Peat), London
Peers, D. L. (F. J. Frodsham), Liverpool
Peirson, J. J. (S. G. Moss), London
Percival, P. W. S. (The Hon. J. W. Remnant), London
Perkins, C. C. (M. Perkins), Bristol
Perkins, D. H. (P. H. Tyack), London
Perrott, G. L. (H. Chase), London
Perry, L. G. R. (H. J. Gittings), Cheltenham
Perry, N. R. (C. A. Evers), Stourbridge
Philpin, M. J. T. (M. R. Garrett), Haverfordwest
Picot, R. A. (D. E. Picot), Jersey
Pierce-Grove, A. T. (M. A. B. Jenks), London
Pilbrow, M. E. (R. J. Osborne), London
Pilch, H. S. (D. L. Evans), London
Pilcher, D. R. (D. E. Brewster), London
Piper, C. E. J. (J. Reddaway), Exeter
Pitchford, G. (I. W. Riley), Keighley
Pitt, B. J. (J. A. Potter), London
Pittock, J. (B. Wright), London
Pledger, N. G. (R. E. W. Curtis), Cambridge
Plummer, M. A. (W. G. Densem), London
Pollex, A. J. (N. Lewis), Liverpool

Poole, J. C. (D. B. Stretton), Freshwater
Pope, B. H. (B. M. Bird), London
Porter, K. M. L. (T. R. T. Bucknill), London
Potter, K. H. (E. J. Woodhams), London
Potts, D. (J. H. Smith), North Shields
Powell, R. A. (W. E. Dewdney), Bristol
Powell, V. A. L. (L. C. Coe), London
Power, A. M. D. (J. W. Williams), London
Prescott, C. R. (L. C. Hillier), Bromley
Preston, C. T. (H. F. Leach), Bristol
Preston, D. A. (W. W. Mortimer), London
Price, D. S. (R. Philp), London
Price, J. (H. B. Huntington-Whiteley), Birmingham
Priestley, J. P. (J. P. C. Richardson), London
Primrose, S. U. (K. H. Moss), Coventry

Quigley, P. K. (G. S. Norris), Manchester

Rabin, H. J. (Mrs) (L. J. Bloch), London
Radcliffe, R. C. (G. F. Ansell), London
Ralls, M. H. (O. W. Horne), Portsmouth
Rawlings, C. H. (P. A. Aldrich), London
Ray, K. C. (A. G. Touche), London
Ray, T. (R. W. C. Dunn), Birmingham.
Raymond, W. G. (D. A. Clarke), London
Rayner, R. E. C. (T. L. Plewman), Leicester
Readman, F. (C. E. Garratt), Birmingham
Redmayne, H. D. (E. Heginbotham), Nottingham.
Reveres, M. B. (J. M. Walker), London
Rhys, O. M. L. (J. E. Barris), London
Richardson, M. C. (C. B. Holland), London
Rider, T. J. (S. J. Pears), London
Rigby, G. L. (J. B. Martin), Liverpool
Riley, D. Mc.W. (D. de G. Walford), Stockton on Tees
Rimmer, C. A. (P. J. C. Vincent), London
Rix, E. R. (T. A. Tansley), London
Roberts, A. J. (L. H. Davies), London
Roberts, G. D. (D. J. Jones), Manchester
Roberts, J. A. (B. E. Basden), London
Roberts, M. R. (P. Ewen), London
Roberts, P. B. (R. T. Wrieden), London
Roberts, W. F. A. (R. W. Williams), Worthing
Robinson, A. (R. B. Sellars), Preston
Robinson, A. J. (G. S. Norris), Manchester
Robinson, G. P. (M. A. Wren), Southend-on-Sea
Roddy, J. K. (T. N. Booth), Bury
Rogers, M. J. (S. L. Prashker), London
Rogers, P. H. (J. Bromley), Southampton
Rogers, S. J. (R. R. Davies), Cardiff
Rose, M. R. (L. Goldwyn), London
Ross, W. (G. R. Appleyard), London
Rowell, J. (C. P. Barrowcliff), Middlesbrough
Rudge, S. B. (E. J. R. May), London
Rushton, R. F. (J. M. Gilliat), Manchester
Russell, J. F. (P. W. Foston), Derby
Russell, V. F.-X. M. (Sir Henry Benson), London
Russell-Davis, N. G. A. (H. W. Bagge), London

Saberski, M. (J. Kimche), London
Sadler, C. S. (W. J. Leeming), London
Saeed, K. (H. J. Jolly), Bedford
Sargant, J. R. (E. R. Nicholson), London
Saunders, M. E. (R. Harrop), London
Saville, S. M. (P. Stern), Leeds
Scales, W. P. J. (J. M. Freeman), Newbury
Scheele, A. C. (A. Barron), London
Scheiner, M. (H. C. Rudolf), London
Schiller, E. H. (J. J. Penny), Leeds
Scorer, B. R. I. (H. M. Pritchard), Birmingham
Scott, A. A. L. (J. D. Sadler), Macclesfield
Scott, A. K. H. (G. B. Judd), London
Scott, J. W. A. (J. W. Margetts), London
Scott, M. (D. Duckett), Leeds
Scrutton, H. G. (C. G. W. Blathwayt), Bristol
Scutt, B. P. H. (H. V. Davies), London
Seal, G. A. (E. W. Browell), Birmingham
Searle, D. C. (J. A. Farrow), Leeds
Serkin, S. (S. M. Lever), London
Seymour, C. H. (J. E. R. Vellacott), London
Shah, S. B. (A. J. Knights), London
Sharp, R. W. (H. A. Sisson), Newcastle upon Tyne
Sharrott, R. F. (E. J. Garner), Nuneaton
Shenoy, A. M. (T. B. Hughes), London
Shepherd, R. E. (R. Crozier), Manchester
Sheppard, G. S. (A. D. Staton), Manchester
Shirley, M. J. (W. R. Young), Canterbury
Shute, K. T. (M. J. Bowman-Vaughan), London

Siddiqui, A. M., London
Silk, D. J. (R. W. C. Dunn), Birmingham
Silverbeck, M. H. (R. H. Walker), Liverpool
Simon, C. M. A. (R. K. Briscoe), London
Sinker, D. T. (J. P. Grenside), London
Sivayogan, S. (H. W. Wilson), London
Slatter, D. M. (H. C. Green), London
Smith, A. F. (J. A. Tuffin), Brighton
Smith, C. J. W. (F. E. Francis), Leamington Spa
Smith, D. H. (G. E. Lamb), Leeds
Smith, D. R. (H. Marriner), Leeds
Smith, D. T. (T. Bourne), Burton-on-Trent
Smith, G. F. (W. C. Peatey), High Wycombe
Smith, J. L. (C. L. O'Callaghan), Nottingham
Smith, M. D. E. (G. Hawley), London
Smith, M. J. (B. T. Thomas), Sheffield
Smith, T. H. (C. M. Powell), London
Sode, A. B. O. (R. S. Colwill), London
Sood, M. P. R., Nairobi
Sorene, L. M. (G. Sorene), London
Spencer, M. G. (S. A. Woolven), Liverpool
Spiteri, N. A. (J. A. Calverley), London
Stafford, M. W. (J. Heaford), London
Stanley, M. P. (W. W. Bigg), London
Steel, D. M. (R. Kettle), London
Steele, A. (S. C. W. Cox), Smethwick
Steele, D. R. (H. L. Fisher), London
Stekel, R. (B. M. Till), London
Stenner, C. (J. W. Gibson), Hull
Stephenson, C. E. (H. Barnett), Mansfield
Stephenson, P. (S. F. Shuttleworth), London
Stevenson, C. B. (C. S. Goddard), London
Stewart, T. M. (J. D. W. Marle), Bristol
Stilgoe, C. R. J. (J. S. Ellison), Liverpool
Stockdale, F. L. (J. Maw), Sunderland
Stockley, A. J. (C. A. Pocock), London
Stocks, P. A. D. (R. R. Barnes), Birmingham
Stroud, D. M. (T. G. Buckingham), London
Strowger, C. (R. L. Latimer), London
Stubbs, C. A. (D. J. Kean), London
Sturman, K. (R. W. Brazier), London
Sumner, A. J. (S. V. Austin), London
Swinburne, G. B. (J. Hankinson), Hull

Tan, B. K. (P. F. Cansdale), London
Tandy, M. J. (J. F. Felton), Birmingham
Tann, R. W. (D. R. Chilvers), London
Tanna, B. K. (M. L. Phillips), London
Tattersall, J. N. (I. F. Halliday), Huddersfield
Taylor, E. (F. L. Davies), Warrington
Taylor, E. B. (P. C. G. Larking), Maidstone
Taylor, I. L. (H. M. Hawthorne), London
Taylor, J. H. (L. Pells), London
Taylor, M. A. J. (W. N. Coope), Bolton
Thomas, D. P. G. (P. F. Spurway), Cardiff
Thomas, G. S. (E. M. Robinson), Newcastle upon Tyne
Thomas, R. A. H. (A. L. Barnett), Bristol
Thomason, F. R. (A. V. J. More), Manchester
Thompson, B. P. (R. H. Williams), London
Thompson, D. A. R. (T. Bourne), Burton-on-Trent
Thorpe, N. B. H. (W. Lodge), Liverpool
Thoyts, R. D. W. (A. P. Hughes), London
Thraves, A. (T. Hudson), Scarborough
Tilbrook, J. J. (M. F. Cross), Norwich
Tilney, R. S. (F. G. Tombs), London
Todman, A. J. S. (L. H. Rattenbury), London
Tongue, C. E. (M. Brookes), Oldbury
Towle, J. C. (W. B. Nelson), Liverpool
Tozer, D. L. (E. E. P. Maltby), London
Tripp, D. P. (D. A. Clarke), London
Trotman, A. J. (S. J. D. Corsan), London
Trotman, P. S. (D. S. Morpeth), London
Tucker, R. C. (H. W. Sydenham), London
Turner, C. W. (T. Bedford), Leeds
Turner, J. B. (R. Garner), Leicester
Turner, P. M. (S. Croudson), Leeds
Tye, J. C. J. (A. F. Palmer), London

Unsworth, P. M. (J. L. Hughes), Liverpool
Usher, L. A. (E. T. Wood), London

Varlow, R. N. (J. S. Holloway), Wolverhampton
Vevers, W. P. (J. L. E. Daly), London
Villa, C. P. W. (S. C. Ellis), London

Waddington, J. P. (A. E. Spicer), London
Wainwright, J. A. W. P.(C. R. Osborn), London

Wakefield, J. M. (A. D. Macve), London
Walker, D. H. (E. E. P. Maltby), London
Walker, J. M. (Miss) (V. Walton), Leeds
Walker, S. P. (H. E. Traylen), London
Walls, R. J. (H. B. Huntington-Whiteley), Birmingham
Walters, R. C. de L. (O. Furnival-Jones), London
Warburton, J. K. (F. R. Thurlow), Bradford
Ward, B. J. (R. A. Watson), Croydon
Ward, C. J. N. (G. W. Dunkerley), London
Ward, C. R. P. (D. H. Whinney), London
Ward, D. L. (T. A. W. Littlechild), Penzance
Ward, M. T. (J. W. Powell), Birmingham
Ward, N. D. C. (J. P. Coatsworth), London
Warner, W. A. (A. E. Mitchell), Chesterfield
Warrington, R. G. (G. D. Warrington), Huddersfield
Waslidge, B. E. (A. G. Browning), Rotherham
Wass, M. H. (J. P. Grenside), London
Watkins, M. S. (E. T. Peirson), Coventry
Watson, I. R. (H. Murray), Newcastle upon Tyne
Watson, J. P. (A. W. C. Lyddon), Plymouth
Watson, R. N. S. (J. C. Banfield), Yeovil
Watson, W. W. (S. E. Bramwell), Birmingham
Watts, R. A. (H. Goodier), London
Welch, J. D. (G. Oates), Doncaster
West, P. E. J. (G. M. Turner), Southampton
Westall, D. G. (A. A. Veasey), Leicester
Wheeler, N. D. (B. W. Graves), London
Whitaker, B. C. (R. G. Leach), London
Whitaker, P. E. (J. C. Christie), Huddersfield
White, A. T. (G. D. Dillon), London
White, C. P. A. (C. Croxton-Smith), Bristol
White, M. St J. (T. H. Sanders), Wellingborough
White, W. M. (F. E. Board), London
Whitehead, R. (J. K. Patrick), Sheffield
Whittingham-Jones, W. M. (P. F. Rogers), Liverpool
Whittington, C. M. J. (G. C. B. Gidley-Kitchin), London
Wickham, B. E. (F. H. Pledge), London
Wickham, G. W. (L. A. I. Deane), London
Wilcox, S. G. (E. G. Wilcox), Birmingham
Wild, J. A. (H. E. Coulthurst), Radcliffe
Wilders, D. T. (B. E. Basden), London
Wilkinson, J. R. (H. V. Clayton), Manchester
Wilkinson, P. (A. R. Mason), Birmingham
Willey, M. (E. G. Wilcock), Sheffield
Williams, R. C. (A. E. Bayliss), London
Wilson, A. M. N. (G. Carew-Jones), London
Wilson, F. F. (O. H. Smith), Hungerford
Wilson, J. R. T. (N. B. Hart), Brigg
Wimbury, A. J. (R. H. MacIntyre), London
Wintle, L. J. (E. D. Q. D'Alton), London
Wood, P. E. (J. Hague), Manchester
Wood, T. R. (P. A. C. Vincent), London
Woodthorpe, A. E. (S. G. G. Ohly), Hove
Worby, G. F. (S. E. Clear), Bedford
Worsley, F. E. (J. E. Talbot), London
Wydell, G. A. (G. Sunley), London

Young, D. J. (L. J. W. Gould), London
Young, D. M. (N. J. B. Smith), Manchester
Young, R. M. L. (S. A. Forster), London

821 Candidates passed

947 Candidates failed

INTERMEDIATE EXAMINATION

Certificates of Merit and Prizes Awarded

First Certificate of Merit, the Institute Prize, the Tom Walton Prize, the Frederick Whinney Prize and the Plender Prize for the paper on General Commercial Knowledge
Bee, John Derek (D. G. Bee), Preston

Second Certificate of Merit, the Robert Fletcher Prize and the Plender Prize for the paper on Book-keeping and Accounts (Partnership)
Towers, Alan Victor (O. B. T. Bennett), Oxford

Third Certificate of Merit and the Plender Prize for the paper on Auditing
Dubois, Richard (A. N. Chapman), London

Fourth Certificate of Merit and the Flight-Lieutenant Dudley Hewitt, D.F.C., Prize
Pratt, Nigel Martin (F. V. Hussey), Ipswich

Fifth Certificate of Merit
Baker, Colin Robert (L. A. Hall), London

Sixth Certificate of Merit and the Plender Prize for the paper on Taxation and Cost Accounting
Craddock, Martin Keith Robert (W. S. Rainbow)
Newcastle upon Tyne

Seventh Certificate of Merit
Dalton, Timothy Maurice Herschell (R. H. Morcom), London

Eighth Certificate of Merit
Payne, Neil Lewin (M. J. G. Newman), London

Ninth Certificate of Merit
Coupée, David Harry (A. J. Albury), Ashford, Kent

Tenth Certificate of Merit and the Plender Prize for the paper on Book-keeping and Accounts (Limited Companies)
Rajpar, Fidahussein Rajabali (I. E. Gilbey), London

Eleventh Certificate of Merit
Bull, Thelma (C. L. Wykes), Leicester
Honeyball, Geoffrey Charles (R. H. Nicholson), London

Thirteenth Certificate of Merit
Beckh, Robert Lionel (W. G. Allen), London

Fourteenth Certificate of Merit
Sewell, Allan (G. Shiach), Carlisle

Fifteenth Certificate of Merit
Reading, Anthony John (W. H. Minter), Brighton

Sixteenth Certificate of Merit
Page, Thomas Noel (W. R. Middleton), London

Seventeenth Certificate of Merit
Cummins, Peter Ronald (L. A. Picot), Jersey

Eighteenth Certificate of Merit
Blanford, Julian Michael (J. H. Davies), London

Nineteenth Certificate of Merit
Beard, Christine Ann (B. L. Monahan), Swindon
Enticott, Ronald David (G. J. Edkins), London
Sullivan, Eugene Peter (D. R. Huntingford), London

Twenty-second Certificate of Merit
Exeter, Gordon Charles (B. H. Kimble), London

Twenty-third Certificate of Merit
Bulmer, John Brook (R. Rickaby), Sunderland

Twenty-fourth Certificate of Merit
Ali Sk. Hashmat (D. E. Dancer), London
Doshi, Anil Jayantilal (S. Berman), London

Plender Prize for the paper on Book-keeping and Accounts (Executorship)
Jamil, Shahid (J. B. Pinnock), Bedford

Full List of Names of Successful Candidates

(The name shown in brackets is the name of the principal to whom the clerk has been articled. Where the name of the principal is not given the candidate is a former bye-law candidate of the Society continuing his qualifying service not under articles.)

Acher, G. (J. K. Macrae), London
Ackland, R. G. (R. A. Joynes), London
Adams, D. H. (S. Higham), Manchester
Adams, R. J. (M. D. Dodd), London
Aghayere, F. O. (A. Gross), London
Ahmad, A. (S. Gold), London
Ahmad, A. A. (G. M. Sherwood), Birmingham
Ahmad, M. (C. Gee), London
Ahmad, R. (P. Laddin), Manchester
Ahmad, S. A. (A. A. Cooper), London
Ahmad, Z. (E. D. Cox), London
Ahmed, I. (B. A. Haynes), London
Ahmed, M. (N. M. Cohen), London
Ahmed, M. B. (H. Brandes), London
Ahsan, S. J. (B. D. Winters), London
Aldous, D. A. (J. S. H. M. Vereker), London
Ali, A. (D. J. Kean), London
Ali, A. (M. Cooper), London
Ali, F. (J. J. Findlay), London
Ali, S. H. (D. E. Dancer), London
Alladina, S. S. (F. G. Batty), West Bromwich
Allen, D. (C. E. Surman), London
Allen, K. N. (G. W. Dunkerley), London
Allen, M. C. (A. L. Jeffery), Oxford
Allen, N. A. (H. D. Waller), Newcastle upon Tyne
Allen, N. I. K. (R. W. Brazier), London
Allen, P. W. (D. C. Hobson), London
Ambrose, P. M. (F. G. Rollason), London
Ames, R. F. (R. H. Lilleker), Chesterfield
Amos, E. W. (F. J. Gaston), London
Anand, L. M. (J. Thornton), Oxford
Anderson, K. W. (A. Birch), London
Andrew, J. K. (A. H. Hainsworth), Bradford
Andrews, R. G. (A. F. Gill), Manchester
Angell, L. R. (E. Slater), London
Anvar, J. (B. J. Bridges), London
Anverally, S. H. (L. H. Davies), London
Appleton, D. J. (J. M. Harvey), Liverpool
Arif, A. (L. Stockman), London
Arif, H. (W. R. Wallis), London
Ariyawayagam, S. M. A. (Miss) (I. S. Watchorn), London
Armand Smith, C. W. (R. D. F. Brearley), Devizes
Armitage, A. M. (J. P. Young), Sheffield
Armstrong, A. (R. S. Boddington), Manchester
Ashcroft-Hawley, B. V. (C. A. J. Peplow), Newton Abbot
Ashmore, D. G. (E. J. J. Booy), Cardiff
Ashrafuz-Zaman, S. (F. H. Cornelius), London
Atkins, D. E. (J. B. Wilson), London
Atkinson, K. (L. S. Wrightson), Grimsby
Atkinson, K. (G. H. Black), Boston
Atkinson, K. M. (G. E. Morrish), London
Attar, R. (L. Irvine), London
Atwell, B. J. (E. E. Booker), Glastonbury
Auckland, A. F. (A. Cowdy), Oxford
Ayton, P. G. (E. B. Orr), London

Backhouse, W. (T. A. Tansley), London
Bacon, J. R. (W. E. G. Kirby), Colchester
Bacon, M. J. (Miss) (H. R. Mole), Taunton
Baehr, L. J. (D. A. J. Draper), London
Baggott, L. I. (A. P. Mills), London
Bagshaw, D. L. (A. F. W. Keep), Reading
Bagshawe, P. F. (J. K. Patrick), Sheffield
Bailey, B. J. (D. S. Stevens), London
Baker, C. R. (L. A. Hall), London
Bales, C. R. (L. H. H. Aplin), Exeter
Balshaw, J. F. (P. Clarke), Bolton
Barber, A. (A. A. Davis), London
Barber, R. D. (W. M. Hoffman), London
Barc, I. M. (M. R. Gold), London
Barker, G. H. (C. R. Gaulter), Blackpool
Barlow, P. H. (Miss) (J. O. M. Williams), Cardiff
Barnett, J. R. (G. W. Tonks), Wolverhampton
Barrett, A. T. (H. Gordon), Bristol
Barrett, J. S. (J. A. Hume), London
Barrett, M. (R. D. Thomlinson), Carlisle
Barrett, P. J. (W. B. Chapman), London
Bartarya, S. N. (J. Mayhew-Sanders), London
Bartlett, J. S. G. (J. F. Butlin), London
Basir, O. (G. E. Jones), London
Basu, D. (M. Sherman), London
Batt, M. S. (C. H. Maggs), Bristol
Baws, G. K. (S. S. Dove), London
Bayat, M. (G. W. Dunkerley), London
Bayes, M. W. (V. J. H. Harris), Northampton
Beales, T. E. W. (W. R. C. Ogden), London
Beard, C. A. (Miss) (B. L. Monahan), Swindon
Beckh, R. L. (W. G. Allen), London
Bee, J. D. (D. G. Bee), Preston
Beeching, G. A. (A. C. Durrant), Tonbridge
Beevers, J. E. (G. G. Wilson), Leeds
Bendall, C. G. (H. Tuckey), Birmingham
Bennett, B. (J. M. Walker), London
Bennett, G. (R. W. Cox), Nottingham
Bennett, P. R. (N. E. Rees), London
Benson, D. H. (N. G. Davson), London
Benton, P. W. (W. N. Crowe), London
Bertram, A. D. W. (G. R. A. Wixley), London
Bettinson, D. J. (W. Parker), Birmingham
Bhattacharjee, A. (B. Rader), London
Bicknell, C. G. (A. M. Smith), Hove
Biggs, T. L. M. (W. C. Cull), Southampton
Bija, C. J. (R. T. Pagett), Halifax
Biles, J. C. M. (M. A. Jordan), Cardiff
Bird, C. W. (R. H. Hilton-Jones), Shrewsbury
Bittiner, R. J. G. (A. C. Falkner), London
Blanford, J. M. (J. H. Davies), London
Bogle, P. G. (H. D. Hindley), Bolton
Bolland, R. A. (T. H. Burdon), Bradford
Bolton, J. K. (F. F. Leach), London
Boman, B. A. (G. B. Young), London
Bonham, D. C. (W. G. Milton), Wembley
Boord, G. J. W. (F. S. Bray), London
Booth, C. J. N. (C. Fox), Sunderland
Bostock, W. R. (R. A. Covington), London
Botham, N. R. (S. J. Richards), Wolverhampton
Bouckley, J. K. (J. T. Isherwood), London
Bouquet, P. F. M. (L. Myers), London
Bowden, D. L. (E. S. Prince), London
Bowen, M. J. (A. E. Spicer), London
Bowers, C. C. (J. H. Banfield), London
Boylan, M. C. (A. R. Tutty), Letchworth
Brace, A. J. (B. J. Herring), London
Bradburn, A. (D. J. Jones), Manchester
Bradley, R. J. (E. W. B. Cotterell), Birmingham
Bray, A. J. N. (R. F. Gentry), Seaford
Brent, M. H. (F. O. M. Smith), London
Brett, R. M. (J. C. Benson), Newcastle upon Tyne
Brewster, M. E. (H. Cohen), London
Bridge, T. E. (H. Lawton), Manchester
Bridgen, R. C. (B. A. Gunary), Romford
Briggs, J. G. (W. G. Rodrigues), London
Bristow, N. H. (K. Mashford), Worthing
Broad, S. J. C. (F. W. Charles), London
Brook, D. I. (B. L. Skinner), London
Brooks, A. T. (M. I. Makin), London
Brooks, P. C. (C. F. Everton), Worcester
Broomhead, N. G. (A. S. Kennard), Newton Abbot
Brown, A. (S. F. Shuttleworth), London
Brown, I. W. (T. D. Redhead), London
Brown, J. D. (E. W. Evans), Coventry
Brown, L. (R. M. Bradburn), Liverpool
Brown, P. T. (A. Rothburn), Manchester
Browne, D. J. (C. W. Eades), Southampton
Bruce Smythe, S. C. (E. L. C. Swaysland), London
Bryan, P. D. (W. J. L. Clarke), London
Buchan, I. J. (C. F. M. Hawkins), Bristol
Buchanan, N. J. C. (F. C. D. Swann), Cambridge
Bull, T. (Mrs) (C. L. Wykes), Leicester
Bulmer, J. B. (R. Rickaby), Sunderland
Burchell, P. R. (K. D. Wickenden), Horsham
Burgess, R. H. (J. Palmer), Hull
Burgon, R. S. F. (R. M. Simpson), London
Burke, J. I. (P. Hale), London
Burnett, H. T. (H. Soan), London
Burns, J. F. (O. A. Parry), Swansea
Burrows, C. N. (F. D. M. Lowry), Liverpool
Burton, D. (K. D. Wickenden), Coventry
Butler, C. J. D. (A. L. Blower), Wolverhampton
Butterworth, R. (J. Butterworth), Oldham
Buxton, P. R. (M. H. Turner), Ipswich

Cail, I. (D. T. S. Rutter), Darlington
Caldera, H. B. (R. W. Lloyd), London
Caldwell, J. E. M. (J. S. Lake), London
Carnaby, W. S. S. (J. T. Corbett), London

Carruthers, J. M. (H. Squires), Dewsbury
Carss, D. B. (A. J. Knights), London
Carter, R. G. (J. D. Naylor), London
Cavendish, W. H. T. (V. R. V. Cooper), London
Chadha, V. C. (W. Murphy), Loughborough
Chadwick, R. J. (C. D. Anderson), Winchcomb
Chambers, L. (M. D. Wilson), Halifax
Chanda, U. K. (H. G. Smith), London
Chapman, H. G. (A. G. Wray), Nottingham
Charkin, M. A. (C. Walkden), London
Charles, B. J. (G. F. Sidaway), Birmingham
Chaudhry, S. A. (M. G. Cass), London
Cheetham, E. (F. A. Brown), Dewsbury
Chelk, M. L. (B. R. Pollott), London
Chesney, C. B. (P. Wand), Southend-on-Sea
Chin, O. E. (V. H. Wade), London
Choudhury, A. (O. P. Haywood), Bolton
Chowdhury, S. (S. Lever), London
Chu, K. K. (H. N. Wylie), London
Chudley, C. H. L. (B. I. Pearl), Plymouth
Clapham, B. R. (A. C. Shay), London
Clare, J. R. (Miss), (P. D. Bryant), London
Clarey, A. L. (H. M. Sayers), London
Clark, H. A. J. (G. R. Stickland), London
Clarke, J. G. (A. E. R. Formoy), London
Clarke, R. C. (J. D. Wells), London
Clarke, R. F. (J. G. Harrison), Nottingham
Clarkson, R. E. (J. C. MacGregor), Liverpool
Clay, R. H. (P. F. Allday), London
Clayton, C. J. (J. E. Hobbs), Dudley
Cleworth, G. (J. H. Eaves), Manchester
Cliffe, D. (H. Forster), Macclesfield
Clinch, R. A. (K. J. Pausey), Slough
Clyde, M. P. (S. Morris), Reading
Coates, P. J. (W. E. Carnelley), London
Coe, A. H. (P. H. Owen), Manchester
Coe, R. I. (D. A. Herbert), London
Cohen, H. J. (C. Fenton), London
Cole, G. (S. R. Heasman), London
Coleman, M. (R. Corfield), Manchester
Coleman, M. A. (N. Tropp), London
Collett, A. M. (R. G. Leach), London
Colling, J. (R. L. Harrison), London
Collingwood, R. C. (V. A. Tudball), London
Collins, J. B. (J. R. Ward), Godalming
Colpitts, B. (E. P. Robey), Reading
Colverd, C. J. (J. W. Bell), London
Comens, M. J. (W. A. Sutherland), Brighton
Comyn, W. A. (J. I. Calcott), Leamington Spa
Concanon, B. A. R. (E. C. Meade), London
Connolly, P. E. G. G. (T. A. Tansley), London
Cook, G. J. (A. G. W. Scott), London
Cooke, D. J. (P. Ewen), London
Cooper, G. R. (D. L. Chaplin), Manchester
Cooper, N. P. (A. E. Shaw), Norwich
Cordiner, J. A. (J. A. Wardropper), Newcastle upon Tyne
Corley, P. F. M. (M. Sheppard), Sheffield
Costa Correa, M. F. (L. Davis), London
Coulson, G. K. R. (A. H. Cope), Walton-on-Thames
Coupée, D. H. (A. J. Albury), Ashford, Kent
Court, D. W. (C. M. Richer), Tunbridge Wells
Couture, P. J. (J. C. Durnin), London
Coverley, R. A. F. (M. J. Blackburn), London
Cowan, G. M. (K. W. S. Clark), London
Cowen, S. (G. G. Lee), Liverpool
Cowley, P. E. (C. C. Marsh), London
Cox, M. J. (K. D. Cummings), Nottingham
Craddock, M. K. R. (W. S. Rainbow), Newcastle upon Tyne
Craighan, P. J. (G. A. Dennis), Manchester
Crawley, W. A. T. (P. W. Barrows), Birmingham
Crocker, J. (G. C. Wilkinson), Middlesbrough
Cross, R. K. (K. G. Bridgford), Bradford
Crossley, R. E. (R. L. Emmitt), Sheffield
Cuckney, M. (R. N. Russell), Birchington
Cuff, T. A. (J. N. B. Millican), London
Cumberland, T. M. (Miss) (H. J. Johnson), Derby
Cumming, P. (A. F. Sergeant), Leeds
Cummins, P. R. (L. A. Picot), Jersey
Cunningham, A. G. (P. F. Keen's), Luton
Curling, D. A. B. (M. R. G. Cory-White), London
Curry, F. (J. Monaghan), Preston
Curtis, M. G. (A. C. Glennerster), Letchworth
Cussons, S. H. (A. D. Gordon), London
Cutcliffe, N. G. (A. H. Smalley), Coventry
Cuttriss, H. (B. R. Pollott), London

Daborn, G. M. (W. T. Wells), Kingston upon Thames
Dalton, T. M. H. (R. H. Morcom), London
Danson, J. S. (R. S. Sanderson), Sheffield
Darugar, I. A. (L. D. Smith), London
Dathan, D. T. (S. Edgcumbe), Plymouth
Davidson, A. P. (G. W. Dunkerley), London
Davies, A. J. (G. A. Morgan), Swansea
Davies, J. L. (D. D. Blythe), Coventry
Davies, S. E. (G. A. Chugg), Cardiff
Davis, C. T. H. (R. S. Davis), Manchester
Davis, P. H. (R. Lubell), London
Davis, T. R. (R. G. Cowlan), London
Dehaan, M. J. (P. Sober), London
Delve, H. J. (J. Goodman), Liverpool
de Mello, R. H. (T. H. Webb), Coventry
Dennett, A. M. (F. Holloway), Leeds
Denney, L. K. (W. A. F. Boulby), Retford
Dennis, P. G. (L. H. Atlas), London
Denye, R. C. (A. Green), Liverpool
Denyer, R. P. (J. Heaford), London
d'Erlanger, R. G. (The Hon. J. W. Remnant), London
De Save, S. B. (R. H. MacIntyre), London
De Silva, A. B. C. (H. A. Hawes), London
Dewdney, R. J. A. (M. Perkins), Bristol
Dewshi, A. A. M. (L. O. Ross), London
Dick, J. (T. G. Burton), Hull
Dickins, P. V. (G. N. Taylor), Newcastle upon Tyne
Dimock, J. C. L. (M. W. H. Lancaster), London
Dixon, J. D. E. (R. W. Brazier), London
Dixon, R. A. (W. C. Davies), Cardiff
Dixon, S. K. (L. W. Gibbs), London
Dobson, J. N. (R. H. Passmore), Torquay
Dodd, P. J. (J. R. Tovey), Reading
Dodds, J. W. (F. C. Horne), Luton
Doggart, A. V. N. (F. W. Knight), London
Doodson, M. G. (C. Yates), Manchester
Doran, J. (C. Speak), Leeds
Doshi, A. J. (S. Berman), London
Downing, M. T. (D. A. Blofield), London
Draycott, R. M. (W. Dent), Middlesbrough
Driscoll, K. T. E. (A. Clarke), Manchester
Dryland, C. P. (A. Hone), London
Dubois, R. (A. N. Chapman), London
Du Feu, B. C. (D. N. Rosling), Huddersfield
Duffy, J. H. F. (R. Stewart), Dewsbury
Dunn, C. A. (D. W. Carlisle), London
Dunn, R. F. D. (A. J. Paul), Redruth
Dunning, J. M. (J. G. Ash), London
Durant, C. J. (R. H. L. Herdman), Petersfield
Durham, C. J. W. (J. P. Grenside), London
Duro-Emanuel, O. G. (A. H. Massing), London
Duttagupta, D. K. (M. D. Green), London
Dutton, M. G. (J. R. Adcock), Birmingham
Dwek, J. C. B. (G. W. Taylor), Manchester

Eade, D. K. (J. Edmondson), Leatherhead
Easterbrook, M. L. (J. C. Hill), Plymouth
Eckersley, A. (J. G. Holcroft), Manchester
Edey, R. P. (P. L. Eynon), London
Edge, J. M. (J. G. Sankey), Manchester
Edgell, A. B. (M. F. Andrews), Bristol
Edmonstone, W. H. N. (S. J. D. Corsan), London
Edwards, A. L. (H. G. George), Cardiff
Eggleshaw, J. R. (D. E. Winterbottom), York
Eldridge, S. J. (E. C. Jones), London
Elliott, R. J. (J. A. Jackson), London
Ellis, D. W. C. (L. H. Rattenbury), London
Ellis, S. H. (P. R. W. Ford), Southampton
Ellison, J. A. (D. E. Morris), Nantwich
Elvy, B. W. (H. J. Hoby), Rochester
Emerson, M. R. (G. E. Richards), London
Enticott, R. D. (G. J. Edkins), London
Esmond, M. B. (J. Dixon), Newcastle upon Tyne
Etheridge, B. R. (H. Price), Eastbourne
Evered, G. J. (R. G. Millard), Taunton
Exeter, G. C. (B. H. Kimble), London
Exham, R. L. (I. MacFarlane), London

Fabikun, A. A. O. (G. S. Brunning), London
Fair, H. R. (C. G. Willett), London
Fairbairn, I. J. (P. Gandy), Warrington
Fairhead, A. (R. W. Wheeler), London
Fakes, T. R. (R. A. Pitt), Manchester
Fallows, R. W. (W. T. Buxton), Bury
Farley, R. M. (J. M. Farley), Bradford
Fatemi, A. (G. C. Peat), London
Feldbacher, J. W. (J. Nobbs), New Milton

Fenton, N. M. (M. R. Landau), London
Ferry, M. A. (M. G. D. Johnson), Sunderland
Field, T. C. (P. A. Langmaid), Plymouth
Fielder, K. E. (P. J. Emerton), Slough
Fieldhouse, D. (L. Senior), Leeds
Filer, D. R. (T. Hoffman), London
Finch, J. (A. N. Hollis), London
Fisher, G. W. (B. J. Bowick), Jersey
Fisher, J. R. (C. W. Smith), London
Fitzjohn, P. (R. F. Crow), Southampton
Fitzpatrick, J. (J. A. Freeman), Bury
Flenley, M. (M. F. Davies), Worthing
Folman, J. M. (T. M. Pragnell), Nottingham
Foo, S. M. (R. P. Ingram), London
Foote, T. D. (E. G. Evans), London
Ford, D. G. (K. A. Buxton), Nottingham
Ford, R. A. (L. J. Culshaw), London
Foreman, A. H. (W. J. L. Clarke), London
Forsythe, M. A. (L. J. Bussey), London
Foss, J. N. H. (W. G. Densem), London
Foster, A. G. (J. A. Jones), London
Fowler, J. R. F. (G. B. Langford), Petersfield
Fowler, K. T. (T. R. McBride), London
Fox, T. G. (J. G. White), Stratford on Avon
Francis, D. E. (J. M. E. Ravenscroft), Maidstone
Freedman, B. S. (J. Kimche), London
Freeth, G. R. (G. R. S. Elcombe), London
Fry, J. C. (J. N. Prentice), London
Fryer, N. (M. H. Marsh), Stoke-on-Trent
Fuller, C. E. (C. Romer-Lee), London
Furey, C. P. (V. H. Collinge), Bacup

Gallagher, J. G. (E. S. Walker), Birmingham
Galloway, A. J. (D. H. Lewis), Wolverhampton
Ganderton, J. I. (Miss) (A. Bowen), Worcester
Gardener, R. J. (E. H. McGregor), Reading
Gardiner, K. (B. W. T. Cooper), Bolton
Garner, S. C. J. (A. F. Jones), Worcester
Garvey, M. P. J. (J. L. Stevenson), London
Gash, M. A. (R. W. Minns), Birmingham
Gates, M. J. (A. E. R. Formoy), London
Gaunt, L. W. (M. J. Gillgrass), Leeds
Gayland, K. E. (R. G. Smith), London
Geere, G. K. (D. C. Morgan), London
Gemmell, K. I. (P. Croudson), Leeds
Gemson, P. (S. T. Maxwell), Preston
Ghelani, A. G. (A. S. Gordon), London
Gibbons, V. (J. E. Yates), New Mills
Gilbert, W. S. (I. Engel), Potters Bar
Gill, A. R. (S. Croudson), Leeds
Gillibrand, M. J. (A. Hirst), Blackburn
Glasgow, C. L. (A. M. Baker), Wolverhampton
Gleave, P. (N. L. R. Trounce), Manchester
Glendinning, K. (A. H. Smalley), Coventry
Glenton, A. A. E. (A. R. Glenton), Newcastle upon Tyne
Glover, D. H. K. (P. C. Westwood), Cardiff
Godier, C. W. J. (K. E. Tann), London
Gold, A. B. (B. Keane), London
Golding, H. S. (S. Kershen), London
Good, D. S. (Sir William Carrington), London
Goodey, D. (M. G. Bain), Grimsby
Gooding, P. J. (J. S. H. M. Vereker), London
Goold, P. A. (A. E. Armitage), Manchester
Gordon, I. F. (H. Peat), London
Gore, A. S. (M. A. Citroen), London
Goss, S. R. (A. M. Bond), London
Gould, R. M. (W. A. Hand), London
Gradwell, M. (A. F. Gill), Manchester
Graham, I. S. (R. B. Hill), London
Graham, J. W. H. (J. M. Harvey), Liverpool
Grandison, W. M. (A. E. Hepburn), London
Graves, R. M. (B. W. Graves), London
Graveson, P. W. (J. T. Friedenthal), London
Gravett, S. M. (K. B. Hilton), Manchester
Gray, A. R. (H. M. Hawthorne), London
Green, A. (C. E. B. Thompson), Ipswich
Green, D. M. J. (L. Hickson), Hull
Greene, L. (M. Fenton), London
Greenhalgh, D. A. (G. B. Reeder), Stockport
Greenhalgh, M. (W. F. Page), King's Lynn
Greenhalgh, M. (S. A. Mapus-Smith), King's Lynn
Greetham, D. L. (R. A. Withey), Bristol
Gregory, C. C. (C. Romer-Lee), London
Gregory, M. C. (H. L. L. Bunker), Bristol
Gregson, P. M. (T. Morgan), London
Griffiths, D. K. R. (A. J. Penn), Northampton
Griffiths, H. R. (G. Stockwell), Cardiff
Grisewood, A. B. (G. J. Howe), London
Grocock, E. (J. B. Gaskill), Hull
Groves, R. J. F. (R. G. Scott), London
Grugeon, D. H. (H. E. M. Barnes), London
Guignard, R. C. P. (W. C. C. Smith), London
Gunn, G. J. W. (R. W. L. Eke), London
Gurner, M. S. (E. A. Charles), London

Habib-ur-Rahman, M. (R. W. Barrow), London
Hadfield, M. A. (A. M. Bird), Chesterfield
Hadjioannou Anthimou, A. (M. Rainsbury), London
Haines, O. W. (N. Davies), London
Hair, J. R. (T. W. Mackrill), Hull
Hall, D. (D. G. Tate), St Albans
Hall, D. J. (E. Eyley), Burton-on-Trent
Hall, H. M. (A. J. Barsham), London
Hall, R. S. A. (D. L. T. Creer), York
Hallows, J. D. W. (R. C. Spoor), Newcastle upon Tyne
Halls, N. C. (E. L. C. Swaysland), London
Hammerson, D. G. (E. N. Jacobs), London
Hancock, J. F. (G. M. Pearce), Cardiff
Hannah, D. (A. Clarke), Manchester
Hanson, I. N. (R. H. Gibson), Barnsley
Harbourne, B. F. (A. A. Talbot), Newbury
Harbron, D. (J. D. Hebden), Middlesbrough
Hardie, C. J. M. (J. R. Wells), London
Harding, A. A. (J. C. Cain), Douglas
Hardman, R. R. (L. R. Turner), Liverpool
Harris, M. (J. R. Norris), London
Harris, M. J. (V. H. Clements), London
Harris, R. C. (R. T. Parkinson), London
Harris, R. S. (H. L. Bloom), London
Harrison, D. M. (W. E. Willis), Leicester
Hart, D. R. (E. D. Robinson), Blackpool
Hartley, C. (R. T. Pagett), Halifax
Harvey, A. F. B. (D. W. Gibson), London
Harvey, C. D. H. (S. J. Urman), Bristol
Harvie-Watt, J. (G. C. B. Gidley-Kitchin), London
Harwood, C. F. (D. N. Stratford), Alton
Harwood, G. L. (D. F. Wadge), Newcastle upon Tyne
Hasib, S. I. (L. Stockman), London
Hastings, D. (J. W. Skelsey), London
Hatfield, D. R. (M. J. H. Morton), Grimsby
Hathaway, G. D. A. (D. W. Stirling), Birmingham
Hawkins, M. A. (Miss) (C. N. Smellie), London
Hayden, J. T. J. (B. Walker), Birmingham
Hayter, G. F. (A. Fletcher), Salisbury
Hearnden, J. F. (C. R. Watson), Dorking
Hedley Lewis, V. R. (H. R. Crouch), London
Helme, A. J. A. (J. P. Grenside), London
Henshaw, A. G. G. (L. F. McCulloch), Grimsby
Henson, J. D. (R. V. Bartlett), Hinckley
Hetherington, J. B. (H. Yates), Preston
Hewitt, R. P. (B. W. Brixey), London
Hicks, J. H. (D. E. Boohan), Poole
Hill, H. R. (S. J. Chaytor), Liverpool
Hine, P. J. (A. L. Jeffery), Oxford
Hinson, K. J. (R. G. W. Walker), London
Hirst, J. M. (C. Connelly), Huddersfield
Hitchen, G. K. (A. J. Waring), Leeds
Hoare, J. A. (H. A. R. J. Wilson), London
Holdsworth, R. A. (J. Jackson), Leeds
Holdway, R. P. (H. O. Johnson), Bath
Holgate, J. A. (F. S. L. Moon), Clitheroe
Holland, D. P. (V. C. Manolescue), Hounslow
Holloway, P. G. (J. J. Longland), Portsmouth
Holmes, R. W. (H. M. Mortimer), Leicester
Holtham, A. M. (R. Smith), Newport, Mon.
Honeyball, G. C. (R. H. Nicholson), London
Hood, H. O. J. (J. R. Taylor), Redhill
Hooper, S. I. (Miss) (B. W. Fletcher), Bexhill-on-Sea
Horrocks, P. E. (H. Crawshaw), Accrington
Hotay, A. Q. (M. S. Zatman), London
Hothersall, D. (K. G. Snowden), Preston
Houghton, H. H. (G. R. Deakin), Manchester
Houseago, R. (R. W. Meynell), Norwich
Howard, P. V. E. (S. J. D. Corsan), London
Howard, T. R. (F. V. Hussey), Ipswich
Howl, R. R. (W. T. Jones), Birmingham
Huckle, J. G. (W. H. D. Campbell), London
Huda, S.-M.-U. (B. Hepburn), London
Huddart, J. A. (G. Cunliffe), Manchester
Hughes, H. S. (W. E. H. Handley), Tunbridge Wells
Hughes, J. H. (O. Couse), Birmingham
Hughes, K. A. (L. King), Liverpool
Hulbert, E. G. C. (B. L. Barber), London
Hullah, N. P. (F. L. Fleetwood), Leeds

Hulme, B. J. (E. Rawcliffe), Blackpool
Hulme, B. K. (W. F. Hayward), Manchester
Humpage, M. J. (C. Brooke), Blackpool
Humphreys, E. R. (T. P. Mitcalfe), Middlesbrough
Humphreys, R. G. (S. E. Bramwell), Birmingham
Humphries, J. H. (P. Jeffery), Warrington
Hunter, C. T. (D. S. King), Liverpool
Huque, A., Dacca
Hurst, D. B. (R. Fawcett), London
Hutchinson, R. J. (E. L. Bates), Leicester
Hutton, D. I. (H. C. Cussons), Liverpool
Hyam, S. (C. Fine), London

Ince, A. J. (J. Newman), Sutton
Ingall, S. H. (J. R. Wells), London
Iqbal, M. (M. S. King), London
Ixer, C. R. (M. J. Birkett), London

Jackson, G. L. (O. A. Parry), Swansea
Jacob, G. (H. G. K. Vowles), London
Jacobs, A. (D. E. Dancer), London
Jain, B. R. (P. C. Greenwood), Reading
Jalovy, J. L. (C. W. Eades), Southampton
James, D. (W. H. Minter), Brighton
James-Moore, R. C. (H. J. Gittoes), Birmingham
Jamil, S. (J. B. Pinnock), Bedford
Jansze, L. N. B. (J. A. Don Fox), London
Jeavons, A. S. (C. E. Biggs), Paignton
Jeevanjee, M. (J. W. Schollar), London
Jefferson, T. W. (R. L. Stockill), Driffield
Jeffery, P. G. (W. R. F. Symonds), London
Jenkin, R. (W. L. E. Davison), Barnstaple
Jennings, D. H. (M. E. Riddelsdell), London
Jessop, D. G. (H. H. Holdsworth), Leeds
Jinnah, A. H. G. (R. G. Herman), London
Johnson, A. S. (T. E. Entwistle), Liverpool
Johnson, C. D. (R. J. Green), Melton Mowbray
Johnson, D. B. (L. F. H. Jones), New Milton
Johnson, K. O. (F. Pittock), London
Johnson, P. (G. D. Cucksey), London
Johnson, P. (E. G. Hayes), London
Johnson, P. D. (J. G. P. Rhodes), Bradford
Johnson, P. L. (Miss) (W. Souman), Leicester
Johnson, R. M. (K. M. Black), Matlock
Jones, A. F. (R. A. Folland), Birmingham
Jones, D. J. (A. C. Blake), London
Jones, D. R. S. (G. W. Percival), Birmingham
Jones, D. S. (R. E. E. W. Bailey), Bishop's Stortford
Jones, D. W. (J. R. Paramour), London
Jones, J. D. (J. K. Douglas), Liverpool
Jordan, C. (H. B. Cookson), Birmingham
Jurics, A. (Miss) (G. B. Young), London

Kaberry, C. D. (D. T. Veale), Leeds
Kay, P. L. (S. Conway), London
Kay, S. J. (P. E. Kanas), Manchester
Kazi, A. R. (N. Gilbert), London
Kelly, J. A. (Miss) (M. J. Bowman-Vaughan), London
Kember, D. J. (K. A. Pollock), Rochester
Kemp Harper, R. L. (R. Fawcett), London
Kennard, S. A. M. (K. Wilson), London
Kenney, R. L. (C. E. Parkinson), London
Kettel, R. S. (W. R. Doherty), Birmingham
Khan, A. M. (R. W. Allott), Rotherham
Khan, M. S. (F. L. Duck), London
Khan, R. H. (G. B. Harris), London
Khasru, M. A. (K. C. Foster), London
Khodr, S. I. (J. Mearns), London
Khwaja, R. Z. (W. N. Crebbin), London
King, R. D. (W. C. Craig), York
King, R. F. (N. W. Sims), Cardiff
Kinkead, S. (P. M. Butterfield), Bristol
Kirkham, D. W. (W. J. Cox) London
Kloss, A. M. (C. Metliss), London
Kneller, R. D. (N. E. West), Littlehampton
Knight, J. R. (E. A. C. Jones), London
Knights, S. R. M. (A. B. Ramsden), Aylesbury
Korner, A. D. (J. T. Corbett), London
Krishna, B. N.-S. (R. E. Barhan), London
Kutchinsky, R. N. (J. A. Garden), London

Laison, H. (L. R. Shaw), London
Laitner, S. A. (N. Libson), London
Lake, R. H. (G. R. A. Wixley), London
Lakra, H. (M. F. Pope), Canterbury
Lal, B. (L. A. Webb), London
Lal, R. (A. P. Bearman), London
Lam, S. S. W. (J. C. Glencross), London
Lamb, J. T. W. (G. C. Sagar), Leeds
Lamb, R. J. (J. K. Bellchambers), Totnes
Lambert, J. B. (W. G. Pritchard), Kingston upon Thames
Lambert, R. E. (C. E. Corney), Birmingham
Lamey, C. J. (P. G. Wilde), Torquay
Lamin, R. M. (J. O. Knight), Nottingham
Lance, L. A. (G. C. Tayler), Ashford, Kent
Landon, P. L. (R. Fawcett), London
Lane, R. E. (L. J. Culshaw), London
Langer, H. D. (P. Messik), London
Langham, C. F. (E. F. W. Batts), London
Law, E. J. (P. Avery), Huddersfield
Lawrence, K. B. (R. S. Sprange), Sutton
Lea, E. W. (G. C. Allman), Birmingham
Lea, J. T. (F. Pittock), London
Lea, R. A. (E. L. Kenworthy), Birmingham
Leathers, D. F. J. (A. H. Farquhar), London
Lecoutre, P. F. (A. J. Knox), London
Lee, C. (Miss) (R. G. Binks), Coventry
Lee, R. A. L. (M. D. Dodd), London
Leesmith, A. E. (K. E. Davis), Enfield
Leigh, R. S. (C. C. Hubbard), London
Lennox-Boyd, S. D. R. N. (W. W. Ward), London
Leopard, N. H. (H. J. H. Leopard), Worcester
Leopard, R. A. (H. J. H. Leopard), Worcester
Levene, J. M. H. (M. L. Phillips), London
Levi, P. J. (R. Taylor), London
Levine, E. (A. M. Hendry), London
Levis, P. E. (R. B. Rix), Colchester
Lewis, D. J. (H. P. Jones), Liverpool
Lewis, D. J. R. (H. Newman), London
Lewis, K. R. (R. J. Mathias), Pontypridd
Lewis, N. J. (L. V. Mills), London
Leyland, B. J. (J. B. Harding), Leigh
Lightfoot, A. (Miss) (T. W. E. Booth), Manchester
Limby, G. (H. P. Nunes), London
Lindsay, I. J. (J. Sharp), Carlisle
Lines, G. R. (L. R. Trill), London
Linnert, J. J. (E. A. Savage), Bristol
Little, G. M. (H. A. R. J. Wilson), London
Littmoden, C. (R. H. Jenkins), London
Livesey, J. M. (T. E. Entwistle), Liverpool
Lobbenberg, J. P. M. (G. F. Ansell), London
Lodge, S. B. (J. R. Akester), Bradford
Lomax, R. H. (A. D. Gordon), London
Loyd, J. P. (J. F. Hendre), London
Luer, L. (G. J. Simler), London
Luker, A. D. (J. G. Harper), Guildford
Luscombe, R. J. B. (V. C. Burston), Bridgwater
Lynch, L. G. (R. Boothman), Burnley
Lynton, J. M. (S. A. Schiff), London

McCormick, N. S. R. (G. C. B. Gidley-Kitchin), London
MacDonald, M. G. (W. McD. Morison), London
McDougall, H. J. A. (G. C. B. Gidley-Kitchin), London
Mackay, J. R. (R. J. N. Fowler), Eastbourne
McKenzie, B. (P. F. Rogers), Liverpool
Mackenzie, W. Q. C. (W. R. Jenkinson), Sheffield
McLean, J. A. (V. A. Tudball), London
McLean, L. I. (R. J. Harris), Hull
McPartlin, P. A. (A. D. Barritt), Newcastle upon Tyne
Macrae, D. (G. N. Robson), Newcastle upon Tyne
Madders, R. M. (Miss) (A. D. L. Thomas), Norwich
Mahajan, V. K. (A. M. Fisher), London
Mahendran, S. (D. Leigh), London
Major, J. (Miss) (A. H. Hart), Dartford
Makin, N. C. (G. F. Shaw), Huddersfield
Mansfield, B. (A. G. Binder), Beaconsfield
Mardell, J. M. (Miss) (W. Jones), Stroud
Marfell, R. I. W. (L. S. Daniel), Taunton
Marlow, W. J. (W. S. C. Charles), Workington
Martin, A. W. (R. E. Jones), Liverpool
Martin, S. L. (C. W. Blagg), Stafford
Maslin, K. (J. R. Antoine), High Wycombe
Matthews, J. W. (M. R. G. Cory-Wright), London
Matthews, T. G. (I. C. Storey), South Shields
Maunders, J. H. (D. A. Palmer), Kingston upon Thames
Maxim, B. W. (D. H. Kirk), London
Maxwell, H. W. G. (R. Carew), London
May, B. M. (J. J. Turnbull), London
Mead, B. L. (N. F. Norris), London
Meese-Kennedy, S. F. (M. F. Andrews), Bristol
Meller, J. P. (E. W. B. Cotterell), Birmingham
Mercer, D. E. (R. W. Rodwell), Leicester
Michell, A. P. (K. B. S. Crowhurst), London
Michell, P. H. (P. H. Martin), London

Middlemiss, S. A. (A. D. Macve), London
Middleton, D. G. (N. F. Beecham), Norwich
Milburn, L. (G. A. Windsor), Leeds
Miller, D. J. (R. R. Giles), London
Miller, L. J. (M. Sherman), London
Miller, M. C. (W. C. Craig), York
Milligan, N. A. (J. R. Hague), Oldham
Mills, J. D. (C. D. Bolsover), Sheffield
Min, M. M. (M. A. B. Jenks), London
Mitchell, I. C. (B. J. Ableson), London
Mitchell, V. C. (Mrs) (N. J. Dodd), London
Mitra, S. K. (B. H. Clarke), London
Mizon, D. G. (H. S. Davies), London
Mohamed, A. A. R. (T. J. Newman), London
Mohammad, S. (A. Rothburn), Manchester
Moldauer, D. M. (S. Garner), Manchester
Montague, L. J. (S. Tuckman), London
Montgomery, J. A. (I. G. Highley), Reading
Moore, A. A. (R. E. Barham), London
Moore, C. G. K. (H. Norman), London
Moore, D. R. (B. Ward), Huddersfield
Moorhead, T. J. (R. H. Stewart), Manchester
Morgan, C. G. (R. H. Martin), Cardiff
Morris, A. J. (S. E. Moss), East Molesey
Morris, P. G. (M. G. R. Keeling), London
Mounger, V. F. C. (J. N. B. Millican), London
Muggeridge, R. I. (D. A. Huggons), London
Mukherjee, P. K., Calcutta
Munford, T. G. D. (M. Howson-Green), Southampton
Munsi, D. C. (G. O. W. Pickard), Leeds
Murphy, B. P. (D. D. Williamson), London
Murray, J. D. (E. B. Costello), London
Mursell, W. G. (J. A. K. Collins), Newport, I.W.

Nagle, M. (M. Farmer), London
Naik, M. B. (S. E. Newman), London
Nash, J. H. (E. N. Jackson), Derby
Nash, R. E. (J. R. Adcock), Birmingham
Neild, F. J. (A. C. Falkner), London
Neish, B. (K. R. Charlton), London
Nevill, M. F. (J. P. Stephens), London
Newman, J. V. (B. F. Jukes), Sutton
Newton, A. S. (H. N. Wylie), London
Newton, R. (P. J. Attfield), London
Nicholls, R. K. (P. P. Parker), London
Niven, T. (J. A. Hedges), Canterbury
North, D. M. (W. C. Long), Bradford
North, I. (J. Astle), Leeds
Northam, J. W. (A. W. Dyer), London
Norton, A. (Miss) (N. F. Trayler), Bognor Regis
Norton-Griffiths, J. (G. H. W. Delderfield), London
Noton, B. C. (S. Hague), Liverpool
Noyce, E. J. (J. A. S. Allen), Paignton

Oakey, M. W. (R. W. Young), London
O'Doherty, B. (K. A. Monod), Watford
O'Donnell, C. P. (M. G. O'Donnell), Harrow
O'Donoghue, E. M. (R. M. Bradburn), Liverpool
Ogden, D. W. (J. A. Lunt), Manchester
O'Gorman, J. J. (A. B. Dale), London
Ogunde, A. O. (M. A. Charlton), London
Okezie, O. (M. G. Miles), London
Okorie, G. A. (W. R. Holden), Hull
Olaleye, F. A. (R. G. Slack), Hull
Oldham, J. E. (J. T. S. Bower), London
Olukanmi, O. O. (C. J. Auerbach), Reading
O'Mahoney, K. P. (D. J. Martin), London
O'Neil, P. C. (G. G. Dickinson), Sheffield
Ong, C. H. (N. Freeman), London
Osbaldeston, R. (G. C. Buckley), Manchester
Osmani, M. S. (W. Marshall), London
Overstall, J. C. (C. J. M. Bennett), London
Owen, M. V. (F. G. Batty), West Bromwich

Page, D. G. A. (E. M. Fraser), Newbury
Page, T. N. (W. R. Middleton), London
Palmer, M. J. (F. H. G. Tompkins), London
Panter, R. S. (E. E. V. Rowley), Leicester
Parker, J. M. (H. S. Dawson), Bradford
Parkin, A. J. S. (C. W. H. Jackson), Nottingham
Parkin, J. H. (P. W. Skinner), Nottingham
Parkin, P. J. (H. O. Rule), Truro
Parkinson, W. (R. B. Holden), Blackburn
Parry, R. (F. B. M. Wawn), Manchester
Passey, G. F. (S. J. Drakeley), Nuneaton
Patel, B. M. (T. D. Carnwath), Manchester
Patel, H. K. (J. S. Shah), London
Patel, N. R. (A. Maslo), London
Pawson, R. S. (E. Lindley), Bradford
Paydon, B. H. (S. J. Bressloff), London
Payne, C. M. (W. B. S. Walker), London
Payne, N. L. (M. J. G. Newman), London
Payne, V. A. (Miss) (B. S. Coker), Grays
Payton, T. A. (J. D. Castleman), Leicester
Payton, W. J. (W. H. Green), Southampton
Pearson, P. H. A. (G. W. Maylam), London
Peat, R. S. (R. W. Swinbank), Stockton-on-Tees
Peck, E. (T. R. Keens), Luton
Peckham, R. C. (R. C. Methold), Worthing
Penney, J. H. (M. S. Josephs), London
Pennington, C. H. (A. Pennington), London
Peries, B. R. (I. Bellman), London
Pettie, A. C. (D. C. Keeping), London
Pettiward, C. (B. M. Till), London
Pettman, N. R. A. (J. S. Saver), Birmingham
Pickford, R. (K. Hayes), Birmingham
Pietroni, J. A. A. (K. M. Wilkie), London
Pievsky, J. (H. Brandes), London
Pinchard, M. P. (E. L. Pargeter), London
Piper, G. C. (D. S. Wilson), London
Piper, T. G. B. (F. E. Worley), Chichester
Pipes, R. A. (N. F. Beecham), Norwich
Plant, A. B. (C. Whitehead), Manchester
Platt, D. J. (K. D. Hutton), London
Pollard, G. (R. D. Houseman), London
Polley, J. (M. J. Jackman), London
Pollock, R. A. (E. S. Russell), Birmingham
Pool, A. J. (J. W. Margetts), London
Poole, D. E. (C. N. Bocock), Derby
Poole, K. L. (R. C. C. Rawlins), London
Pope, M. E. (C. R. Atkinson), London
Popplewell, R. J. (J. W. Burnell), London
Porter, M. J. (P. M. Robeson), London
Potter, S. (D. E. Winterbottom), York
Powles, A. (S. V. Mann), Coventry
Prain, G. L. (V. R. V. Cooper), London
Pratt, N. M. (F. V. Hussey), Ipswich
Prendergast, B. G. (E. C. Barber), London
Prentis, H. B. (R. K. Ball), London
Preston, M. A. (F. C. Holloway), London
Price, T. G. (M. Price), London
Prue, D. M. (D. H. Roper), Southport
Pugsley, K. (P. A. Clark), Gravesend
Putros, N. S. (A. Davies), Cardiff

Quincey, I. G. (C. A. H. Holloway), Shoreham-by-Sea

Radhu, P. K. (J. A. Bearman), London
Radivan, I. (C. Hamburger), Manchester
Rae, A. L. R. (R. C. Spoor), Newcastle upon Tyne
Raffray, J. J. (W. A. Hand), London
Rahman, A. (S. R. Kraft), London
Rajpar, F. R. (I. E. Gilbey), London
Randlesome, D. J. (R. P. Hedley), London
Raniwala, Z. F. H. (J. H. Banfield), London
Rattenbury, J. H. A. (G. D. Thomas), London
Ray, R. K. (A. B. Joseph), London
Reader, M. W. (D. H. Smale), Coventry
Reading, A. J. (W. H. Minter), Brighton
Redford, P. J. (A. R. Hills), Luton
Rees, D. A. (W. H. Davies), Cardiff
Rees, G. T. (E. T. Shepherd), Cardiff
Rees, V. W. (R. S. Waldron), London
Rennocks, J. L. (J. A. Oliver), London
Reuben, N. (N. Bloom), London
Reville, M. P. (N. G. Bascombe), Bristol
Revitt, N. H. (A. Clarke), Manchester
Reynolds, A. W. (S. V. Lancaster), Birmingham
Reynolds, N. J. (J. Portergill), Banbury
Richards, J. A. (A. B. Dale), London
Richards, J. C. (E. G. Wilcox), Birmingham
Richards, J. M. H. (P. J. Butterworth), Bridgwater
Richardson, D. (A. Cherry), Manchester
Ricketts, D. A. C. (W. F. Masters), London
Riddle, D. J. (L. W. E. Turquand), London
Robbins, D. J. (F. G. Feather), London
Robinson, P. G. (F. White), Manchester
Robinson, R. E. (H. W. Pople), Liverpool

Rochman, P. H. (H. C. Rudolf), London
Roderick, J. C. (T. Davies), Bridgend
Roger, M. C. (Miss) (C. E. Armston), Walsall
Rogers, B. (R. W. Thoburn), Newcastle upon Tyne
Rogers, C. B. (H. L. Brown), London
Rookes, M. S. (G. J. Howe), London
Rose, D. J. (D. B. Lawson), London
Rose, L. P. (D. D. Rae-Smith), London
Ross, I. M. (B. Pope), London
Ross, J. (N. Isherwood), Blackburn
Rouf, N. H. K. (B. J. W. Berman), London
Round, B. C. (H. A. Nock), Dudley
Rowley, J. E. (R. G. Gusterson), Rugby
Roy, P. (H. Gould), London
Rubin, G. M. (E. E. Sander), London
Rudd, N. A. (F. C. Harrison), Norwich
Ruff, G. H. (J. Harris), Birmingham
Rumph, A. (A. Scattergood), Liverpool

Sackett, R. W. (D. V. Arrowsmith), Rhyl
Sacranie, F. M. (N. L. West), London
Sales, C. H. (L. L. Moore), London
Salter, R. S. (A. W. Sarson), London
Salts, D. R. (R. D. Thornton), Preston
Sargeant, R. M. (V. Keen), London
Saxelby, J. M. (J. E. F. Saxelby), Coventry
Sayer, J. W. (J. A. Cook), Stockton-on-Tees
Schofield, R. H. (A. K. Walton), Bradford
Schuil Brewer, G. (P. J. Madge), Southampton
Scott, A. G. B. (W. J. Soper), London
Scott, D. C. (J. Thornton), Oxford
Scott, W. (J. Mayhew-Sanders), London
Sear, H. E. (D. H. Tonkinson), Brighton
Searle, J. (H. P. Patterson), London
Seddon, D. W. (D. H. Rooke), London
Seddon, J. (G. B. Hodson), Liverpool
Seet, K. H. (A. A. Davis), London
Segal, D. J. (W. Ward), London
Segal, P. D. (K. A. Jones), London
Sellers, M. J. W. (J. E. Scheerer), Leeds
Sellors, G. L. (H. McCreery), Manchester
Serle, D. C. (E. G. S. Jackson), Bristol
Seth, A. (D. H. Wordingham), London
Sewell, A. (G. Shiach), Carlisle
Shah, K. K. J. (B. Pearson-Griffiths), Cardiff
Shail, R. (E. F. Wilkins), London
Shannon, C. E. (R. H. Ashcroft), London
Sharland, R. S. (R. W. L. Eke), London
Sharma, K. K. (R. C. Deith), London
Sharman, C. M. (K. W. S. Clark), London
Sharp, C. (Sir William Carrington), London
Sharp, P. (A. Lish), Sunderland
Sharp, P. J. (N. Smith), Hebden Bridge
Sheldon, W. M. (E. C. Sage), Rhyl
Shell, R. (G. F. H. A. Armson), Brighton
Sheppard, D. R. A. (N. F. Pennington), Ipswich
Shrimpton, D. E. (J. G. Hickmore), London
Shrubsole, R. M. (E. B. Palmer), London
Shulman, K. J. (R. F. Watkins), Northampton
Siddall, P. J. (W. S. Green), Stoke-on-Trent
Siddiqi, M. S. (J. B. Goldstein), London
Sime, A. C. M. (A. M. Bond), London
Simmonds, A. (M. R. Landau), London
Simmonds, B. N. (A. F. B. Ham), Bristol
Simpkins, A. J. (S. R. Perratt), Taunton
Simpson, A. H. (R. H. Wall), Birmingham
Simpson, A. J. (H. W. Miller), Bridgend
Skinner, J. G. (A. H. B. Wood), London
Slater, G. (D. Watts), London
Slater, J. A. G. (R. W. Brazier), London
Slater, J. R. (T. A. Cotterill), Birmingham
Smith, C. W. (G. A. Shipton), Bristol
Smith, G. L. (K. V. Longbottom), Stoke-on-Trent
Smith, G. R. (P. K. Pitt), Cirencester
Smith, H. M. (R. T. Parkinson), Cardiff
Smith, J. B. (D. F. L. Cooke), London
Smith, J. R. (J. F. Wreford), London
Smith, J. S. (A. J. Knox), London
Smith, R. G. M. (W. G. Ponter) Birmingham
Smith, R. J. (J. W. Lane), London
Smithson, C. J. (P. R. Spooner), Gainsborough
Smyth, H. F. (J. M. Harvey), Liverpool
Somech, P. D. (G. E. Barrett), Manchester
Southern, J. A. (J. A. Jackson), London
Southworth, P. D. (R. C. Copeman), Hull
Spencer, D. I. (A. D. Gordon), London
Spurling, R. D. (L. C. Winterton), London
Stean, R. N. (G. Williams), London
Steel, J. I. (D. R. B. Smith), London
Stephens, J. C. (C. V. Miles), Cardiff
Stephens, N. M. (L. D. Morse), London
Stevens, D. (J. S. Holloway), Wolverhampton
Stewart, C. J. (G. A. J. Morris), London
Stewart, J. A. H. (P. H. Dyer), Bristol
Stewart, M. A. (W. H. Hutchinson), Newcastle upon Tyne
Stockley, G. (G. M. Bickerton), Manchester
Stratford, P. J. (H. D. B. Laughlin), London
Strover, A. M. (R. G. Leach), London
Sturges, D. J. (O. R. K. Barnett), Andover
Sullivan, E. P. (D. R. Huntingford), London
Summerhayes, J. A. (C. V. Sharpe), London
Sumner, D. H. (N. Grenfell), Teddington
Sutherland, N. C. A. (R. McNeil), Hove
Swarup, G. K. (J. C. Howard), London
Sweet, R. H. (B. W. Graves), London
Swindlehurst, P. (B. M. Haydock), Blackburn
Sykes, A. L. (Mrs) (T. L. Plewman), Leicester

Tarrant, D. D. (S. G. G. Ohly), Hove
Tarvin, D. E. (R. Carew), London
Taseer, S. (J. C. Smethers), London
Taylor, H. E. (W. R. McBrien), Hastings
Taylor, J. M. (D. Peel), Elland
Taylor, P. J. (R. H. Lilleker), Chesterfield
Taylor, R. (F. A. Bardsley), Manchester
Taylor, R. C. (R. Sutcliffe), Peterborough
Taylor, T. R. (A. C. Trathen), Enfield
Taylor-Thomas, M. (P. D. Jones), London
Tebbatt, M. (W. G. C. Oliver), Burton-on-Trent
Terry, D. R. (I. H. M. Robinson), Leeds
Thackray, P. R. (H. F. Dixon), Leicester
Thelwell, E. (W. T. Scarborough), Jersey
Thom, R. G. (C. M. Foxon), Nottingham
Thomas, A. R. (J. S. Tems), Bournemouth
Thomas, C. (F. E. Corbin), London
Thomas, D. G. (R. H. Martin), Cardiff
Thomas, G. (A. W. Busby), Camborne
Thomas, H. (D. G. Langford), Newport, Mon
Thomas, J. W. (C. C. Marsh), London
Thomas, M. F. (A. R. Mason), Birmingham
Thomas, M. G. (J. O. M. Williams), Cardiff
Thomas, P. S. (R. A. Etheridge), Southampton
Thomas, R. D. (A. W. L. Sleeman), Swansea
Thomas, T. M. (F. C. Rudd), Swansea
Thompson, C. J. (R. Bromley), Wolverhampton
Thomson, A. S. (G. E. F. Harding), Liverpool
Thomson, D. B. (R. G. Gusterson), Rugby
Thorn, E. P. J. (J. A. Fordyce), London
Thorold Barnett, P. J. (G. E. Piper), Shrewsbury
Thurgood, H. I. (J. S. Tems), Bournemouth
Tibbett, T. J. (J. Dyke), Shrewsbury
Tomlinson, K. W. (J. A. Brier), Chesterfield
Toosey, N. D. (N. Rutter), Liverpool
Towell, R. D. (H. D. Milroy), Southend-on-Sea
Towers, A. V. (O. B. T. Bennett), Oxford
Townsend, E. C. (F. V. Sinden), London
Trapp, J. T. (E. N. MacDonald), Liverpool
Travis, R. A. (Sir Henry Benson), London

Trenerry, R. E. (J. W. Lodge), Truro
Tryhorn, N. A. (R. C. C. Rawlins), London
Tubb, A. E. J. (F. M. Forster), Newport, Mon.
Tubb, C. (P. I. Addison), Birmingham
Tuckey, A. M. L. (C. E. M. Hardie), London
Tudor-Evans, E. A. (H. Peat), London
Tullett, A. F. (D. C. Morgan), London
Tully, W. J. (J. S. Ellison), Liverpool
Tummons, P. E. (T. Hayes), Sheffield
Tunnock, A. G. (K. G. M. Harding), Liverpool
Turnage, A. P. (M. D. Carr), London
Turnbull, P. (H. L. Barlow), Luton
Turner, A. S. (W. G. Mackey), Newcastle upon Tyne
Turner, B. H. (H. F. Shapland), Minehead
Turner, D. (K. J. Hilton), Newcastle upon Tyne
Turner, W. G. M. (J. Christie), Huddersfield
Tyack, L. J. M. G. (J. D. Donovan), London
Tyler, T. F. (G. Finlay), London
Tyrrell, J. M. (J. Perfect), London

Ud-Din, I. (F. Goldstein), London
Unsdorfer, S. S. (Miss) (P. D. Levinson), Manchester
Usher, J. V. W. (C. U. Peat), London

Vacher, D. (B. J. Ketchlee), London
Vale, D. W. (R. Philp), London
Veal, R. A. (M. A. Green), Horsham
Veeder, T. (J. Ross), Manchester
Vickers, J. H. (M. J. Rees), Leicester
Vickers, M. G. (G. S. Limb), Mansfield
Viney, P. A. (O. B. Gatward), London
Vintiner, R. C. (J. D. Spofforth), London

Wadwell, G. R. (P. C. Macnamara), London
Wagstaff, J. I. (J. A. Wagstaff), Worcester
Wahed, M. A. (C. E. B. Young), London
Wakeford, S. L. (S. Tuckman), London
Walker, A. J. (J. E. Talbot), London
Walker, B. E. (B. Sutcliffe), Brighouse
Walker, G. R. (E. W. MacAdie), London
Walker, M. G. (N. K. Ramsay), London
Walker, P. (G. L. Taylor), Huddersfield
Wallace, H. M. (N. G. Webber), Exeter
Walmsley, D. (H. Roberts), Blackburn
Walsh, P. J. (G. Meredith), Bradford
Walsh, R. W. (R. A. Coupland), London
Walton, M. E. D'A. (A. C. Unthank), London
Wanderer, D. H. (E. M. Kevehazi), London
Warburton, F. (W. F. Riding), Manchester
Warren, R. S. (R. Crozier), Manchester
Warriner, P. M. (J. Perkins), Harrogate
Warwick, J. F. (G. Franklin), Brighton
Warwick, M. A. (T. C. Frankland), London
Waterman, R. S. (J. Carley), Gravesend
Waterson, M. L. (J. S. Pollen), London
Watkins, T. A. G. (A. Cunningham), London
Watson, A. C. (B. D. Barton), London
Watson, G. K. (C. L. Fielden), Colchester
Weaver, D. G. (H. J. Bates), Derby

1,100 Candidates passed

Weeden, M. (D. G. Bendall), London
Weeks, A. J. (C. H. Croft), London
Weiner, A. D. (A. Marks, London
Weller, C. S. (D. B. D'Eath), London
Wellstood, T. R. (A. L. Jeffery), Oxford
West, M. S. (F. R. Coad), London
Westacott, M. J. (D. A. Clarke), London
Whalley, I. M. (R. H. Morcom), London
Whatmore, R. T. C. (R. G. Leach), London
Wheale, P. R. (K. V. R. Heaven), Birmingham
Wheatland, D. M. (R. A. Penny), London
Wheeler, D. C. (C. C. Marsh), London
Whindle, D. A. (A. W. Garnier), London
Whitcombe, B. (B. H. Edwards), Grimsby
White, J. A. (M. B. Sarson), Oxford
White, R. V. (L. A. Rossiter), Salisbury
Whitehead, M. (F. Woods), Preston
Whittam, R. J. (N. Fraser), Manchester
Whone, J. (F. Hulme), Leek
Wyard, M. J. (J. A. Davison), Leicester
Wickremeratne, E. A. (W. L. L. Smith), London
Wilkie, P. (A. E. Jacobs), Birmingham
Wilkins, R. H. (A. Rainbow), Houghton-le-Spring
Wilkinson, K. W. (G. H. Camamile), Lincoln
Wilks, A. J. (W. E. Moore), Sheffield
Willems, M. E. de la T. (L. C. Coe), London
Willey, P. J. (A. R. Chapman), Newcastle upon Tyne
Williams, G. T. (H. W. E. Thompson), Manchester
Williams, J. H. D. (P. A. G. Mullens), Port Talbot
Williams, J. K. H. (R. R. Davies), Cardiff
Williams, K. J. (C. H. Coxen), Birmingham
Williams, M. J. (D. O'Shea), Pontypridd
Wilshaw, S. N. (G. B. Jones), Evesham
Wilson, D. (K. Smith), Mansfield
Wilson, P. G. K. (J. N. Prentice), London
Wilson, R. (M. S. King), London
Wilthew, P. A. (T. M. Sadler), Newcastle upon Tyne
Winn, P. B. (A. Birch), London
Withecombe, R. C. (N. J. Millard), London
Woakes, G. F. J. (R. J. Glissan), Birmingham
Wolfe, R. B. (H. W. Bonnello), Nottingham
Wolfendale, D. A. (G. C. Buckley), Stockport
Wood, M. H. (C. Wallington), London
Wood, M. L. R. (G. R. Porter), London
Wood, P. G. (F. Dean), Bradford
Wood, P. J. (F. Binns), Huddersfield
Woodall, R. E. (E. R. Marsh), Birmingham
Worley, I. C. F. (A. Piper), Chichester
Wright, K. D. H. (E. S. D. Bavin), London
Wright, T. (A. S. Price), Leicester
Wright, W. G. (G. T. Edgington), Birmingham
Wyatt, P. T. S. (R. E. Stratford), Newton Abbot
Wynne, C. C. N. (A. Beaton), London
Wynne-Jones, D. M. (B. D. Scott), Birmingham

Yeates, R. (A. C. Brooking), Basingstoke
Yorath, A. G. (M. H. Marsh), Stoke-on-Trent
Yorston, G. M. (C. Romer-Lee), London
Young, D. (A. S. John), Pontypridd
Young, J. A. M. (H. Squires), Dewsbury
Yull, P. (J. Palmer), Hull

1,091 Candidates failed

Summary of Results

	Final	*Intermediate*	*Total*
Candidates Successful	821	1,100	1,921
Candidates Failed	947	1,091	2,038
Candidates Sat	1,768	2,191	3,959

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE
ACCOUNTANT

ESTABLISHED 1874

AUGUST 22ND, 1964 VOL. CLI. NO. 4679

CONTENTS

Report on Price Policies

FEW would disagree with the assertion that the two paramount current needs of the British economy are an incomes policy and increased exports. But not everyone would agree that, given an effective incomes policy, expansion of the United Kingdom export trade would automatically follow, even though her European competitors who are likewise seeking to formulate their own incomes policies, have, generally speaking, been rather more successful in expanding their exports.

The inability of the British economy to maintain a consistent and rather higher rate of economic growth than has been achieved in recent years can be directly attributed to the lack of an incomes policy. With each periodic phase of expansion that has occurred in post-war Britain, there has been a more than corresponding rise in incomes and costs which, reacting upon the balance of payments, has compelled successive administrations to bring the expansion to a halt. This 'stop-go' policy is the inevitable counterpart to an ineffective incomes policy.

If only the National Economic Development Council's 4 per cent long-run target for economic growth could be achieved, the lack of an incomes policy would not be so serious, since in such conditions regular increases in incomes would be possible without generating the same degree of cost inflation as in the past. Yet the root cause of Britain's present difficulties is to be found neither in the present ineffectual incomes policy, nor in the periodic balance of payments strain. These are merely the symptoms of the basic *malaise* in the United Kingdom economy, i.e. the high and persistent level of aggregate demand which generates and sustains the wage-cost spiral.

A new report from the Organization for Economic Co-operation and Development (O.E.C.D.) considers these problems and reviews the experience of a number of member countries in recent years.[1] More specifically, it is concerned with formulating a policy for profits and other non-wage incomes since, as trade union spokesmen in the United Kingdom have made abundantly clear, it is the fact that an incomes policy is for many sections of the community merely a euphemism for a *wages* policy, that organized labour remains so critical of Government proposals. As the O.E.C.D. report points out, 'whatever may be the mechanism of cost inflation, wage earners will ask for some *quid pro quo* in return for any agreement to accept a more moderate increase in wages'. As far as recent British attempts to formulate a domestic incomes policy are concerned, this particular requirement has not been

[1] *Policies for Prices, Profits and other Non-wage Incomes.* H.M.S.O. Price 6s net.

effectively met. The authors of the report make the obvious comment that it is not enough for justice to be done, it must be seen to be done!

The O.E.C.D. report puts forward three alternative approaches to the regulation of profits and non-wage incomes. In the first, following the experience of Canada and Switzerland in particular, government operates on the overall level of demand, primarily through general fiscal and monetary measures; at the same time it seeks both to increase the mobility of productive resources and to strengthen the forces of competition. The second alternative is to promote an active price policy complementary to a wages policy, particularly in industries where price increases cannot be restrained by producer competition; such policies have been adopted in Norway and the Netherlands. Finally, a policy may be pursued whereby the aggregate shares of different incomes in the national product are agreed upon in advance.

These various policies are not mutually exclusive. For example, most countries recognize the importance of strengthening competitive forces within the economy. Thus in Britain, Mr HEATH has sought to intensify retail trade competition and the effectiveness of the Monopolies Commission. Each policy has its own particular problems. The difficulty of trying to maintain the overall level of demand appropriate to a given level of employment is that there will always be some parts of the economy which are enjoying overfull employment and other sectors where there is excessive unemployment. The Special Areas in Britain are a case in point. Any attempt to bring the unemployment figure in Northern Ireland down to that in the south-east region by influencing aggregate demand would generate a truly remarkable degree of inflation.

The second of these policies necessitates a considerable measure of intervention in the economy, usually in the form of supervision of both prices and profits, aimed more especially at reassuring the wage-earner of the justice of the policy. In a free economy, however, such policies are suitable only in the short run, since the allocation of resources depends upon the free functioning of the price mechanism. The trouble with the final proposal is that wage earners are not really interested in the share of the national product which accrues to labour as a class, any more than industry is concerned with the proportion thereof accruing to aggregate profits. What is of interest is the share which goes to the individual worker and the individual firm. This is evident from the fact that a significant influence in the wage-cost – or what the O.E.C.D. report calls 'wage-wage' – inflation in recent years is trade union insistence on maintaining parity between the earnings of members in different trades.

The report reviews the possibilities of an active price policy at some length, arguing that prices should fall most where productivity is rising and least where it remains unchanged. But how are these reductions in prices to be achieved? In the United Kingdom past experience shows that greater than average productivity must be matched by more than average pay awards. The truth of the matter here is that the most effective rein on price increases is competition.

The creation of competitive conditions in the United Kingdom would, according to the latest O.E.C.D. survey of the United Kingdom[1], be in the best interests of the economy. It would require vigorous action. Among measures required to improve the flexibility of the economy, which is equally urgent, the survey cites industrial pricing policies, collective bargaining, labour mobility and apprenticeship. It is the institutional rigidities in the United Kingdom economy which hamper the process of rapid economic expansion.

The creation of competitive conditions in such circumstances would certainly increase productivity and improve Britain's balance of payments, but it is unlikely that unemployment could be kept at the current level of 1½ per cent. If this last feature of the post-war economy remains the primary objective of British economic policy, then it is really rather pointless to talk about price stability, given the lack of industrial mobility and the present system of collective bargaining. Even if the National Economic Development Council and the National Incomes Commission between them should formulate an acceptable planning policy it would be remarkable if, without changes in the labour market, the future trend of either British exports, or internal and domestic prices was greatly different from that in recent years.

[1] *Economic Surveys by the O.E.C.D. United Kingdom.* H.M.S.O. Price 5*s* net.

FINANCE ACT, 1964

Mutual Companies and Tax – II

GIVEN that the taxpayer receives money or money's worth from the liquidated body corporate within the meaning of section 21 (1), discussed in last week's issue, how is one to decide whether it forms part of the assets of the body corporate 'other than assets representing capital'? Express guidance is given by section 21 (6) which is as follows:

> '(6) For the purposes of subsection (1) of this section assets representing capital consist of:
>
> (*a*) assets representing any loan or other capital subscribed, including income derived from any investment of any part of that capital, but not including profits from the employment of that capital for the purposes of the mutual business of the body corporate;
>
> (*b*) assets representing any profits or gains charged to tax as being profits or gains of any part of the trade carried on by the body corporate which does not consist of the conducting of any mutual business;
>
> (*c*) (so far as not comprised in the paragraphs above) assets representing taxed income from any investments.'

As occurs so often in taxing Acts, the definition incorporates within itself one of the words which it is supposed to be defining; in this case the word 'representing'. Where there is a mixed fund and more than one contributory of the liquidated company, there would seem to be scope for a good deal of manipulation between the contributories, some of whom may not be vulnerable to taxation under section 21 at all. These could well come to an arrangement with the others whereby the assets representing capital go to the others, with an appropriate *quid pro quo*. It might be very difficult to say that the other contributories were 'surrendering' a right in the liquidation. Independently of arrangements of this kind, the taxpayer is traditionally given fairly extensive rights of marshalling his income in his own favour, as, for instance, in relation to the operation of section 169 of the Income Tax Act, 1952, where the taxpayer pays interest etc., and it is not entirely clear that he has paid it out of taxed income. On the other hand, a taxpayer cannot in general affect his tax liability (for better or worse) merely by the manner in which he makes up his accounts. It is interesting to observe that the subsection impliedly assumes that if the company has carried on mutual business, the profits thereof have not been taxed. However, a good deal of mutual business has in fact been taxed, particularly in the years leading up to the decision that it was not taxable. If the Revenue are to be entitled to conduct investigations into the past when a mutual company (or a once-mutual company) is wound up, then regard ought also to be had to whether in fact the company avoided tax on its mutual profits.

Section 21 does not declare roundly that all receipts falling within section 21 (1) are taxable. Their chargeability depends on satisfying the requirements of subsection (3). The first one is that there must have been a payment to the body corporate for the purposes of its mutual business. The second is that a deduction must have been allowed in respect of that payment, in computation of the taxable profits of a 'trade'. In this context, trade includes not only all trades within the meaning of the Income Tax Acts, but also a profession, a vocation, and the occupation of woodlands, the profits of which 'are assessable under Schedule D' (section 21 (8)). Of course, if such occupation was not assessed under Schedule D, there would be little hope of obtaining a deduction in respect of the payment. By virtue of section 124 of the Income Tax Act, 1952, farming and market gardening are brought into the definition of 'trade' for this purpose.

If the taxpayer at the time of his receipt is carrying on that trade (whether alone or in partnership) then the receipt is treated as a trading receipt of that trade (section 21 (3) (*a*)). If he is not, but *was* the person – or one of them – carry-

ing on the trade, when *any* payment answering the above description was made to the body corporate, the taxpayer is to be charged on the receipt under Case VI. If the trading profits were earned income then the receipt will be treated as earned also (section 21 (4)). If there is a present trade which, but for section 19 of the Finance Act, 1953, would have been treated as a continuing trade for tax purposes, then the effect of section 19 is ignored, i.e. the receipt will be treated as a trading receipt.

Subsection (4) does not say what is to happen where the taxpayer was only a sleeping partner in the former trade. As a matter of equity he ought not to have earned income relief, but on the strict letter of the subsection he would seem to be entitled to it.

Where the trade has been discontinued, and Case VI liability applies, then subsection (5) makes special provision for a Case VI computation. The following deductions are to be made:

(*a*) any loss, expense or debit (not being a loss, expense or debit arising directly or indirectly from the discontinuance itself) which, if the trade had not been discontinued, would have been deducted in computing for tax purposes the profits or gains or losses of the person by whom it was carried on before the discontinuance, or would have been deducted from or set off against those profits as so computed, and

(*b*) any allowance under Part X or Part XI of the Income Tax Act, 1952, to which the person who carried on the trade was entitled immediately before the discontinuance and to which effect has not been given by way of relief before discontinuance.

Section 21 (5) goes on to prohibit double allowance under section 21 or under section 32 (4) of the Finance Act, 1960 (post-cessation receipts), in respect of the above matters. 'Trade' in subsection (5) bears the wide definition already referred to (section 21 (8)).

Although section 21 (1) (*c*) brings in a receipt which comes not from the mutual insurance company, but from some third party to whom the taxpayer has sold his rights in the mutual scheme, the receipt cannot attract tax unless the mutual company has been or is being wound up. It follows that if the sale is made in year one and the company does not go into liquidation until year two, the section would appear to be avoided. It may be that the seller is still trading, and therefore has to bring the receipt in as an ordinary trading receipt. However, if he has ceased to trade it may be difficult to impose tax on such receipt, even under section 32 of the Finance Act, 1960.

Section 21 adds a new complication and a new terror for those who acquire the share capital of a trading company. It may be that there is reflected in the price for the shares something in respect of the company's interest in a mutual insurance scheme; the purchaser will normally be expected to give full credit for this in the purchase price. On the other hand he may be considerably in the dark as to how much tax the company is likely to have to pay if the mutual insurance scheme is wound up and the surplus distributed.

The section seems to have been unnecessary. No doubt the figures in the *Stafford Coal* case were large and impressive, but it is common knowledge that a great deal more tax is lost through the operation of sections 184–185 of the Income Tax Act, 1952, whereby a company can give the status of taxed income to distributions out of a fund which has not in fact borne tax. Nothing is being done about this. Again a company which accumulates profits and finally distributes them on liquidation, saves its shareholders a considerable amount of surtax. Beyond the uncertain operation of the surtax direction provisions, which are confined to companies of a particular type, and which still allow for considerable accumulations, there is no general provision for levying surtax on income which is accumulated as part of a company's reserves. By the same token a shareholder who is exempt from tax, or is not chargeable at the full standard rate, loses the repayment he could have claimed if the profits had been distributed prior to liquidation. Since nothing is done about these much more common and far-reaching matters, it seems strange that the statute book should further be cluttered by a section like section 21 of the Finance Act, 1964. Those who call for a simplification of the income tax structure seem to be losing ground. Only on the side of administration is any progress being made. The commencement of the operation of the new Income Tax Management Act, 1964, next year, should be of some assistance.

(*Concluded*.)

The Depreciation Device

by JOHN W. MATTHEWS, B.Sc.(Econ.), F.C.A.
Lecturer in Accounting, University of Hong Kong

THE purpose of this article is to show, first, that deduction of 'depreciation provision' from the cost of durable use assets confuses the facts which it is supposed to record and, secondly, that this confusion has caused avoidable accounting difficulties in regard to:

(1) statements of resources and their disposition;

(2) particular price changes;

(3) general price change.

The article by Mr Desmond Goch, 'Depreciation – All Things to All Men' (*The Accountant*, June 20th, 1964), analysed with admirable clarity the contradictions latent in the depreciation concept – loss in value, spreading of expenditure, provision for replacement, ideas concealed in 'deeply ingrained habits of mind and thought'. Mr Goch's article had not appeared when the present one was written, but the author ventures to hope that his own book-keeping approach will help, in some measure, to resolve these contradictions.

The Adjustment Analysed

When capital is laid out in durable use assets, these depreciate through use, senescence and obsolescence. The capital diminishes correspondingly and must be made good out of earnings. In accounting terms these facts should be expressed as follows:

1. Capital	..	..	..	Dr	x	
to Fixed Assets	..	..	..			x
Depreciation, Year ended –						
2. Revenue	..	..	..	Dr	x	
to Capital	..	..	..			x
Recovery of capital lost.						

The short cut is obvious. Capital is debited and credited with the same amount, and the two entries may be telescoped into the familiar:

Revenue	..	..	..	Dr	x	
to fixed assets	..	..	..			x
Depreciation, Year ended –						

This convenient abbreviation effectively conceals the distinction between the fact of depreciation and the act of recovery. It seems, and is so explained in the textbooks, that the debit in revenue account *is* the loss caused by depreciation, when in fact it effects the setting aside of funds to *restore* the value of capital, parallel to the appropriation of profit to reserve which *increases* resources.

Granted that the profit and loss account is itself a subsidiary part of capital account, yet to make good out of current earnings former capital which has been lost is not the same as saying that capital has remained unchanged.

Depreciation Fund

Since 1948, limited companies have been required to show, in the annual balance sheet, the aggregate of cost (or valuation in the books) of fixed assets and the aggregate of the amounts provided or written off for depreciation or diminution in value, the purpose being to ensure fuller information for shareholders and the public. In order to have these two totals readily available, the custom has arisen of accumulating depreciation on a separate 'Depreciation provision account'. This has made patent the fact that the entry effects a retention of gross earnings, an addition to liquid resources, not distinguishable as such from retained profit. But the initial confusion remains. It is seen in the expression 'Provision *for* depreciation'; 'Recovery provision' 'Capital or maintenance provision' would be more correct.

Sources and Disposition of Funds Statements

Views differ as to the correct arrangement of a balance sheet to form a statement of resources and investment. These differences will not be discussed here. Much depends on the working of the particular business, but that which seems, subject to individual practices, most rational to the present writer, may be generalized as shown in the example on the following page.

RESOURCES			
1. (*a*) Permanent			
Share capital and share premiums		x	
Statutory capital reserves ..		x	
Unrealized capital gains ..		x	
		—	
		x	
Less Goodwill		x	
		—	
		x	
(*b*) Long-term			
Debentures and loans ..		x	
		—	x
2. Discretionary			
Retained profits			x
3. Short-term (perennially renewable)			
'Depreciation provision' ..		x	
Less amount earmarked for imminent replacements ..		x	
		—	
		x	
Trade creditors		x	
		—	x
4. Temporary (or emergency)			
Expense creditors ..	x		
Taxation provision ..	x		
Proposed dividends ..	x		
Bank loan or overdraft	x		
Amount earmarked above	—	x	
Less Cash	x		
Free investments ..	x		
	—	x	
		—	x
			—
			xx
			==

INVESTMENT			
1. *In Operations*			
Fixed:			
(*a*) Permanent (or income yielding)			
Freehold property	x		
Trade investments	x		
Shares in subsidiaries	x		
	—	x	
(*b*) Long-term expenditure (at cost) ..		x	
		—	x
Floating:			
Stocks		x	
Debtors		x	
		—	x
			—
			x
2. *Non-operational*			
Free investments ..	x		
Cash	x		
Payments in advance ..	x		
	—	x	
Less Expense creditors ..	x		
Taxation provision ..	x		
Proposed dividends ..	x		
Required for fixed asset replacement..	x		
	—	x	
		—	x
			—
			xx
			==

NOTE: Temporary finance and non-operational investment are, of course, alternatives.

Cost Price or Written-down Value?

In the above statement, depreciation provision is included with short-term finance and, conquently, use assets will be shown at cost. It can be argued in favour of the latter that use assets are only retained as long as their output of service continues undiminished, and that repairs and maintenance costs can, by suitable provision, be evenly spread; in a word that, within the limits of predictability, total net contribution from a durable use asset should be apportioned equally among the years of its service; moreover, that paid cost is a more objective figure than one reduced by an arbitrary sum for depreciation.

The case against this is that it is more generally characteristic of mechanical equipment during its working life for the rate of output to diminish, power consumption per unit of output to increase, and for time lost through the more frequent incidence of repairs to reduce the effective rate of output still further.

Accounting Policy

Which line of argument is adopted depends partly on the nature of the assets in use, but more particularly on the accounting policy adopted as to the apportionment of net revenue over the years; whether the aim is the (conservative) equalization of annual instalments, or to estimate profit for each year as nearly as possible in isolation, depreciation in this case being matched against recorded output.

Annual net profit is an estimated interim instalment of total profit. Modern business undertakings, in the ordinary course, are not terminable; activity may be envisaged as the investment and reinvestment of funds in various though interconnected ventures of differing periods. During any one year a number of these go through, and upon any given date they arrive

at different stages of completion. Separate accounting is impracticable. Investment in durable use assets in particular extends over a number of years. A policy aimed at 'levelling down' annual instalments of profit cannot be impeached on accounting or financial or general business principles, and need not be abandoned at the bidding of investment analysts, however greatly it handicaps their efforts.[1]

Orthodoxy Justified

Valid objections to including investment in use assets in the balance sheet at cost are:

(1) the values lose all relation whatever to resale price, and are therefore wholly useless for measuring relative productivity;

(2) when replacement takes place, there must be shown an apparent reduction in total resources and investment, of the amount by which depreciation provision and liquid funds are reduced, whereas in fact the totals remain unchanged; residual proceeds constitute a conversion of fixed operational investment into non-operational assets, and replacement expenditure the reverse.

Suggested Amendment

The truth is that no sufficient reason for departing from the traditional treatment of fixed assets can be adduced, because the real cause of the difficulty is that an important accounting step has been by-passed in the book-keeping. The remedy is to rectify the deficient accounting. Depreciation should be recorded in its double effect, as a reduction of use assets *and* of owners' interest, with the provision properly described as 'capital recovery provision'. The funds statement will then show – under permanent finance, '*less* depreciation'; under short-term finance, 'capital recovery provision' in place of depreciation provision; and under investment, durable use assets (net), or '*less* depreciation'.

Incorporation of this improvement in the books would require the following accounts:

Depreciation of Capital

To sundry fixed assets x	

Capital Recovery Provision

	By profit and loss account x

Asset accounts may be depreciated directly, preferably without annual balancing so that initial cost and accumulated depreciation are shown; or depreciation can be accumulated on 'asset depreciation' accounts (not 'depreciation provision' accounts). When an asset is disposed of and a replacement acquired, the 'gain' or 'loss' on sale (excess or deficiency in accumulated depreciation) should be transferred to 'depreciation of capital account', and the eventual total depreciation of the asset in question should be cancelled from 'depreciation of capital account' (credit entry) and 'capital recovery provision account' (debit entry). Any difference will remain on 'capital recovery provision account' and should be cleared through the appropriation account. This difference, so far as can usually be estimated, relates only in small part to the current year, and it seems over-meticulous to suggest attempting to segregate this portion as a charge against that year's profit. (See illustration on page 224.)

Particular Price Changes

If an asset is replaced by an improved model at greater cost, it is recognized that this is additional investment. If, without any general inflation, the price of particular equipment rises, it is equally certain, though not so generally recognized, that the extra cost of replacement is additional investment. More capital is needed, through an unlucky chance of price fluctuation, to carry on business at the same physical scale as before. If financed internally, the amount is an appropriation, not a charge. Under the accounting method illustrated above, it would be credited, for the reason stated, to *reserve* for increased cost of replacement, not to capital recovery *provision.* Conversely, a downward (particular) price change releases resources for alternative investment.

[1] It follows from the argument that appraisal of efficiency in the use of resources, based on one year's yield and the year-end balances, is of doubtful utility. This is especially the case when a change of scale has taken place at some unspecified date within the year. Even with a dated increase in capital employed, there may have been prior temporary finance (bank interest, moreover, not disclosed in the published accounts), or a time-lag in achieving normal productivity, or both. Only those years showing more or less the same scale of operations as at the end of the preceding year are reliable, and even for these a true estimate of resources available should show, for reserves and provisions, the opening balances, plus half the year's net profit before depreciation.

The management, with inside information, can do a better job. Average current resale price, obtained by reference to monthly 'sources and disposition' statements, should be the basis. For special plant and machinery a fair substitute for resale price would be an estimate of the present value of future 'contribution' (the company's minimum selling price). The best measure for general appraisal would seem to be a moving average for both investment and yield based on the number of years estimated to cover the business cycle. Yield might be time-lagged by a year, that is, referred to the preceding year's investment.

General Price Change

A general rise in prices, or depreciation of the currency, entails that, although the nominal value of capital is unchanged, its real value has fallen. Increased cost of replacement in this case, up to an amount proportional to the general change, should be charged against profit for the credit of capital recovery provision. The extra sum is required, not merely to meet increased cost of replacement, but to help maintain the real value of capital. In fact, if invested capital is to be 'kept up' in terms of a depreciating currency, the total capital recovery (or maintenance) provision required should be regularly calculated by reference to a general index of prices[1].

In this calculation it is the non-circulating part of capital employed only to which the change factor must be applied. Current liabilities will have been incurred at current prices. Although long-term loans and non-participating preference shares will have depreciated with the currency, because their value is determined by their fixed yield, this part of capital has nevertheless been employed; these others' loss is equity's gain.

[1] The index published by H.M. Treasury in April 1963 estimates the purchasing power of the £ for each year from 1914 to 1938, and from 1946 to 1962. The figures show how material is the problem of currency value change, e.g. 1914: 100; 1920: 40; 1938: 64; 1946: 38; 1962: 21.

To reserves appropriated during the period of change for which the adjustment is to be made, the factor should be applied *pro rata*. The calculation base, in short, is made up of permanent and long-term resources, and retained profits according to age. The amount, if any, already credited in respect of durable use assets is excluded, as anticipating, in part, the inflation adjustment. The total credit, which in this context should be called 'real capital maintenance provision', should be such as to make the total of this part of capital employed equal to the inflated sum calculated. The adjustment is balanced, partly in appreciation of 'permanent' investments, freehold property and equity (not fixed yield) securities, according to the period since their acquisition and with an upper limit of market value; the remainder out of free reserves (past inflated profits) and profit and loss account, in due proportions.

Current assets, like current liabilities, require no adjustment, and use assets are left undisturbed at cost less depreciation. In this way, account can be kept of actual expenditure and its recovery *and* of currency value change, which also ensures the provision of funds for increased replacement costs; the prime function of accounting, the accurate chronicling of events, is neither frustrated nor obscured.

Following the strict connotation required by

Illustration

ASSET ACCOUNT (1.)

			£				£
1958	Cost	(c.b.)	1,000	1958–63	Accumulated depreciation	(2)	800
				1963	Cash	(c.b.)	100
					Transfer	(2)	100

DEPRECIATION OF CAPITAL ACCOUNT (2.)

			£				£
1958–63	Accumulated depreciation	(1)	800	1963	Transfer	(3)	900
1963	Additional depreciation ..	(1)	100				x

CAPITAL RECOVERY PROVISION ACCOUNT (3.)

			£			£
1963	Transfer	(2)	900	1958–63	Profit and loss account	800
				1963	Appropriation account	100

the Eighth Schedule, *provision* is required for the 'known liability' to maintain the real value of equity share capital, and a *reserve* to maintain the real value of the remaining capital employed. The gain to equity from fixed yield finance is a capital gain; not realized, however, therefore not available for distribution. The adjustment might take the form:

Revenue reserve	Dr	x	
Profit and Loss Account ..	Dr	x	
To Real Capital Maintenance Provision			x
„ Real Capital Maintenance Reserve			x
Adjustment to real value of capital employed, period 19— to 19— ..			

This brief exposition of method for proper accounting during periods of currency value change is included as a corollary to the improved method of accounting for depreciation. The connection between extraordinary depreciation of real capital and normal depreciation of nominal capital is obvious. The occurrence of deflation is less likely, perhaps, to confront accountants in what is optimistically called the foreseeable future and, in order to halt digression into this wider field, two points only will be made in respect of currency value increase; first, that this method of real capital maintenance is, in theory, equally satisfactory but, secondly, that existing legislation limits the adjustment downwards of capital employed. Deflated profits are adjusted upwards only if there is a sufficient balance on capital maintenance or recovery provision, or some other non-statutory capital reserve, which can be reduced. Otherwise, all that can be done is to make a note on the balance sheet of the amount by which real capital has been augmented. It is a curious and certainly unintended effect of company law that limited companies should be required to increase their real investment during a period of recession.

Accounting Systems and German Taxation

by R. J. NIEHUS, Wirtschaftsprüfer, Düsseldorf

GERMAN laws lay down accounting regulations in broad terms. Section 38 of the German Commercial Code states merely that every business man 'must keep books of account and record therein his business transactions and his financial situation in accordance with generally accepted principles of accounting'.

This basic provision was enacted by the German Federal States in 1854 and has thus been in effect now for more than one hundred years.[1] In the course of the years, the Courts have had numerous opportunities to interpret the clause 'in accordance with generally accepted principles'.

Accepted Principles

The rules which have evolved may be reduced to the following:

Book-keeping must be by double-entry.

Each transaction must be immediately recorded, i.e. the books must be always up to date.

Accounting as such must enable the business man as well as a competent third party to form an opinion about the financial position of the business man without undue delay.

A living language must be used – not necessarily German, but not Latin or ancient Greek.

The books must either be bound or, if a loose-leaf system is used, all transactions must be copied on to a control sheet by means of carbon paper, which – in theory – would allow for the reconstruction of the accounts if some of the loose sheets should get lost.

One may incline to the view that these principles need not be spelt out carefully by the law. They are rules of conduct for a prudent and conservative business man – today just as much as a hundred years ago.

The situation is not materially affected by tax requirements. Although the tax authorities must take – and actually do take – a great interest in accounting, they rely mainly on other legal requirements. Section 5 of the German Income

[1] The situation was not changed by the Companies Act of 1937. Sections 131 to 133 of the Act prescribe in much detail methods of valuation of the various balance sheet items and the format of the balance sheet and profit and loss account, but say nothing about books.

Tax Code rules that, for taxpayers who are required to maintain books of account, under any legal regulations, the results of such accounting automatically form the basis of their income tax assessments.

Naturally, there have been a number of cases decided by the German tax Courts, where the propriety of the accounting system was in dispute. In accordance with the attitude taken for nearly a century by the Civil Courts, the Supreme Tax Courts always held that it was impossible – and even unnecessary – to lay down hard and fast rules of what constitutes proper books of account for every conceivable business. Instead, tax Courts confirmed the prime rule that books must be kept in such a way as is required by the needs of the particular business, and that the business man and a competent third party must be in a position to inform themselves within a reasonable period of time about the financial situation of the business in question.

Generally speaking, then, neither the German tax laws nor the tax judicature lay down any detailed rules as to the type of books and accounts that must be kept by a specific business.

Loss Relief

Businesses change and, as may be gathered from the foregoing, the German fiscal authorities are not too particular about the records kept when a business is profitable and a reasonable amount of tax can be collected. The situation is more complicated when the business is 'in the red' and when it comes to carrying forward a loss which, under German Income Tax law, every commercial or industrial taxpayer is entitled to do for five consecutive years. As section 10 (*d*) of the German Income Tax Code defines it, this right is available only if properly kept books have been maintained.

This is a provision which also is of particular interest to foreign investors in Germany, as new businesses not infrequently show losses during the initial years so that the investors are interested in preserving the loss carry-forward and applying it against future profits.

This, according to the tax authorities, is a 'privilege' and may be claimed only if the books have been kept in a manner specifically acceptable to them. The respective rules are contained in section 29 of the Income Tax Regulations and interpret the aforementioned broad definition of 'books kept in accordance with generally accepted principles' with reference to income taxation.

Experience shows that not every taxpayer, whether German or foreigner doing business in Germany, has always paid proper attention to these rules. Usually, the taxpayer has overlooked some, because he was too busy eliminating the cause of the loss or building up his business. Accordingly, it is sometimes very easy for the tax auditor (in Germany, every business is liable to a tax audit which usually covers three to five taxable years) to create a substantial liability for arrears of taxes simply by disallowing the loss carry-forward so that it is no longer available to reduce or perhaps even absorb an intervening profit.

Tax Rules for Accounts

The tax rules for books of account are few and may be summarized as follows:

(1) *All transactions must be recorded currently and according to double-entry book-keeping principles.*

This may be logical, but experience proves that sometimes, particularly during the early stages of their business, executives do not have time to attend to accounting matters. Usually, by the time that they realize their negligence, it is too late, because it is not permissible to reconstruct the accounts at the end of the year – at least if it is detected by the German tax authorities; and the loss is disallowed.

(2) *A record of cash must be kept.*

Moneys collected from customers and others and transfers from bank accounts must be recorded in a cash-book immediately they have taken place. In practice, this means daily, and it also means that the 'imprest fund method' of accounting for cash disbursements is not permissible under German tax law. By 'imprest fund' we mean a system where cash or petty cash funds in the form of currency, a bank account, or both are maintained for expenditures that must be made in cash and from time to time are restored to their original amount by a transfer from general cash in a sum equal to the aggregate of disbursements.[1]

(3) *A plant register.*

For fixed assets, a subsidiary ledger must be set up, showing the original cost of the individual items of equipment, estimated service life, depreciation rate, annual depreciation amount, and location in the works. Identical items may be grouped together. Instead of keeping such a ledger, a physical inventory of all movable fixed assets may be taken once a year – an unrealistic alternative for most of the bigger firms. Assets which cost DM 600.00 or less and which, therefore, may be written off in the year of purchase need not be recorded in the subsidiary plant ledger, but have to be grouped in a separate account.

[1] *A Dictionary for Accountants*, by Eric Kohler, Englewood Cliffs 1952, page 241.

(4) *Detailed costomers' and suppliers' accounts.*

This means that all transactions must first be recorded in a general ledger and subsequently in individual accounts. The main reason for this requirement is clearly stated in the income tax regulations: to enable the tax authorities to maintain a 'tax control'. They want to know what deliveries a certain supplier made to the taxpayer; and by checking his books, they can find out whether the former has included these deliveries in his income tax return.

In the experience of the author, the first part of this requirement – detailed accounts for customers – is usually observed, while the second one – detailed accounts for suppliers – frequently is not adhered to by many taxpayers – and this for various reasons. Some taxpayers simply were not aware of such a requirement; others deemed it old-fashioned, cumbersome, and uneconomical; others again did not want to provide an easy means for the tax authorities to 'spy' on other taxpayers. In short, there has been strong resistance to this system during recent years.

In 1963, the German tax authorities finally gave in and – without revoking section 28 of the Income Tax Code – issued a new rule which permits a so-called 'open-item system' or ledgerless accounting for both sales debtors and suppliers. As far as the writer has been able to determine, the 'open-item system', to the extent to which it relates to accounts payable, is very close to the 'voucher system'.

New Requirements

A summary of the new requirements is as follows:[1]

(*a*) all invoices, sales invoices and suppliers' invoices, must be recorded daily in an invoice book (or books);

(*b*) copies of all invoices (also suppliers' invoices) must be filed in chronological order;

(*c*) invoice amounts must be totalled daily (adding-machine tapes must be retained), and the daily sums must be journalized to the general ledger accounts;

(*d*) a second invoice copy must be retained in a separate filing system (filed according to date, customer's name, geographical area or otherwise) until payment;

(*e*) collections of sales invoices or payments of suppliers' invoices must be recorded on the respective invoice copies;

(*f*) a reconciliation of all invoices filed in the special file with the balance on the general ledger account must be made frequently throughout the year.

On closer inspection these rules are nothing more than those of good internal control, and particularly with businesses that are accustomed to prepare an interim (monthly) statement, they can easily be observed.

(5) *Retention of accounting records and books.*

Books and accounting records must be retained for ten years, copies of letters sent out and the originals of letters received for seven. After this period they may be destroyed. Microfilming is permitted, but it is advisable to obtain the prior approval of the German tax authorities.

In practice, this regulation is of importance only for as long as the books have not been audited by the tax auditors. Once this tax audit has been completed, the only situation where books of prior years could regain interest, would be the – fortunately – not too frequent cases when a company gets into financial difficulties (receivership, bankruptcy proceedings, etc.). In such cases, a Court-appointed representative may have to inspect the books of the past to draw up his statement of affairs.

(6) *Location where books must be maintained.*

The Commercial Code and the General Tax Code do not make specific mention of the location where the books must be maintained. Accordingly, the conclusion has been reached that the books must be kept in the business man's office. This, for a German public company (*Aktiengesellschaft*) or private company (*Gesellschaft mit beschränkter Haftung*) is the office or the registered place of business which, by law, must be in Germany. The question becomes difficult in the case of a registered branch of a foreign company. It has been argued that for a branch, the books may be kept abroad. As far as one has been able to determine, no such case has yet been decided by the German tax authorities. However, there are some practical considerations which would make it appear inadvisable to maintain the books abroad:

- If cash funds are maintained in the local office, a cash-book should also be kept in Germany.
- If the branch has employees, the payroll must be prepared in Germany (section 31, Wage Withholding Tax Ordinance).
- If the branch exports to foreign countries and claims a turnover tax refund or intends to claim the wholesalers' tax rate of 1 per cent (against the 4 per cent basic rate primarily intended for manufacturers and for sales to private customers), it will only succeed if the books are maintained in Germany (section 14 of the Turnover Tax Ordinance).
- The books of account and the underlying records must always be available for inspection by the tax authorities.
- The manager of the local branch is personally responsible for the retention of such records and vouchers for the periods mentioned above, and he can fulfil this legal requirement best if the records are in his own custody.

[1] See also 'Ledgerless accounting and the tax law', *The Accountant*, September 7th, 1963.

The Work of the Education Committee of The Institute of Chartered Accountants in England and Wales

by BERTRAM NELSON, C.B.E., F.C.A.
Chairman of the Committee

THE Education Committee of the Institute was constituted as recently as January 1963. At that date the terms of reference of the Committee on Relations with the Universities, which had been established only in October 1961, were enlarged and the new committee came into being. It would be wrong, of course, to assume that previously the Council itself had been unconcerned with the education as well as with the training of its articled clerks; hitherto the position had been that education was included within the terms of reference of a number of committees rather than the responsibility of one. However, as will be seen from the activities of the Committee on Education and Training, which produced the 'Parker Report', it could not be claimed that constitutional or other factors had precluded the Council from examining educational problems in considerable depth.

Milestone in Professional Education

(2) I regard the Parker Report as a milestone in that from the date of this report in April 1961 there have been significant signs of development. I would like to refer in particular to three items.

(3) First, there are the precise words in recommendation (45) of the report which were endorsed fully by the Council. They read:

'that the Institute should not feel bound as a matter of principle to confine itself to being an examining body but should consider itself free to intervene directly or indirectly in the arrangements for study and tuition to such an extent as may appear to be necessary from time to time'.

(4) To some of the readers of this address the concept which this recommendation embodies may seem not only cautious but so self-evident that they may be surprised that it was necessary for the recommendation to be made. It is important, however, to recognize that here for the first time (so far as I am aware) the Council has gone publicly on record to accept wider responsibilities. I do not wish to exaggerate. The Council had always accepted that in the student field it had a responsibility not perhaps so much in the preparation for examinations, as in the creation among articled clerks of a corporate professional sense and in the provision of a wide background of professional education; in these circumstances the greater part of the theoretical studies for examinations was undertaken by means of correspondence courses. It is against this background that the acceptance of the recommendation should be read: cautious, perhaps, but indicative of a willingness to go beyond traditional attitudes.

(5) Secondly, in recommendation (46) the Parker Report suggested that:

'. . . The Council should cause inquiries to be made through some or all of the district societies and their related students societies into the feasibility and probable cost of providing, in collaboration with local educational institutions . . . three courses, each of not more than three weeks' duration. . . .'

(6) This recommendation can be regarded as a first step towards the 'supplementation' of existing arrangements for study and tuition. It was specially significant, in my view, that the Council, when considering the report, went beyond these particular terms and announced that 'in view of the increasing part being played by technical and commercial colleges within the educational system, it has been decided to examine the scope for assistance from such colleges on a wider scale than is envisaged in the report.' It is this which has led to the negotiations between district societies of the Institute and local colleges of further education and other institutions and which in turn led to the calling together at Blagdon of representatives of the Institute, of the district societies, of universities, of colleges of further education and of other tutorial organizations. The Institute is anxious to explore the field and to know what practical arrangements can be brought into being in the better interests of its articled clerks.

Education Committee Constituted

(7) Thirdly, within six months of the date of the Parker Report the Council announced the establishment of a Committee on Relations with the Universities. At that time, as its name shows, the committee was intended to deal only with this aspect of the problem. It was soon apparent, however, that the problems to which the Parker Committee had referred merited consideration on a much wider basis and that many of these were not naturally within the ambit of other standing committees. In consequence, in January 1963 the committee was reconstituted as the Education Committee, with responsibility over the whole field of education and training of students. Its

A paper presented at the recent conference on 'The Education and Training of Articled Clerks' sponsored by The Institute of Chartered Accountants in England and Wales in co-operation with The Further Education Staff College at Blagdon, near Bristol.

membership now extends beyond that of the Council itself. Professor Edey, of the University of London, and Mr E. V. Roberts, Principal of the Leeds College of Commerce, both of whom are members of the Institute, are now members of the Education Committee. In addition, since its formation the committee has had invaluable advice from Mr R. J. W. Stubbings, a staff inspector at the Department of Education and Science, who has attended many meetings at the invitation of the chairman. Mr Stubbings is also a member of the Institute.

Limits Set by Accountancy Profession as a Whole

(8) Before giving an indication of the work on which the committee has been engaged since its establishment, it is necessary to say something on the accountancy profession as a whole because that determines to some extent the limits within which the Council or its committees can operate. Accountancy is not a unified profession: to that extent it is unlike medicine or law or architecture. There are three institutes of chartered accountants in Great Britain; in addition there are non-chartered bodies of accountants who have an established place in the profession. It is no part of this address to attempt to set out the advantages or disadvantages of a greater degree of unity within the profession. It is, however, relevant to comment that the Institute is not entirely free to disregard the existence of other accountancy bodies when considering its own problems – including those within the educational field.

(9) Perhaps this point would be better made by way of an example. To many it would appear that the minimum educational requirements for entry into articles should be raised immediately from the present standard of passes at ordinary level in the General Certificate of Education examination to the requirement of at least two passes at the advanced level. This, we are told, would be to do no more than to keep up to date with the times: that the young men who came into articles a generation ago on the basis of five credits in a school certificate examination are to be seen today in those who reach the new minimum university entrance requirements, including two passes at the advanced level. I do not think that there are many members of the Council who would dissent from that contention. The Council is, however, entitled to ask itself – and indeed must ask itself – as to the repercussions of any such raising of entry standards not only upon its own intake but upon the accountancy profession as a whole.

(10) It is not appropriate here to enter into all the controversies to which this one question can give rise. But it is important to recognize that the considerations which would affect any decision do not lie entirely within the sphere of education. I can do little more in this address than pose some of the problems. Is the Institute willing to increase its entry standards if the effect is to reduce recruitment of candidates who in past experience have proved to be useful members of the profession? Is such a move in the public interest in that there is an unsatisfied demand at present for newly-qualified members? Should we deny the opportunity of qualifying with the Institute to the young man who leaves school before a sixth-form course but who at present can qualify and do well in the profession? Is there a case for a two-tier profession with a distinction between membership of the Institute based on 'A' level and university level entrance and the technician who proceeds to a lower level diploma or certificate from his 'O' level performance? If so, what opportunities should be given to the technician to qualify at a later date?

(11) I have posed these questions – without giving the answers you will note – because I cannot believe that these are solely matters within the field of educational policy. It is easy to be cynical and to say that questions of policy may be bedevilling questions of education; but that in my view is both unfair and unrealistic. It is right for the Council to consider the future structure and organization of the Institute and of the profession; it cannot look at the former without considering the latter. In looking at the problems the Council must pay regard to the interests of its members, to the fact that they operate in a competitive world, to the success which members have achieved in professional, industrial and commercial life on the basis of present methods of education and training, and to the fact that there are no present signs of any lessening of demand for members' services. In short, to what end should any change be made? Educational considerations alone cannot determine that end.

Committee's Current Objectives

(12) What has the Education Committee been endeavouring to achieve in the last eighteen months? It has concentrated on two main themes, viz.:

(*a*) the recruitment to the profession of an increasing proportion of young men with more than the minimum standard of academic achievement for entry into articles; and

(*b*) the establishment of introductory courses of oral tuition for articled clerks as a supplementation for the present method of almost complete reliance on correspondence tuition.

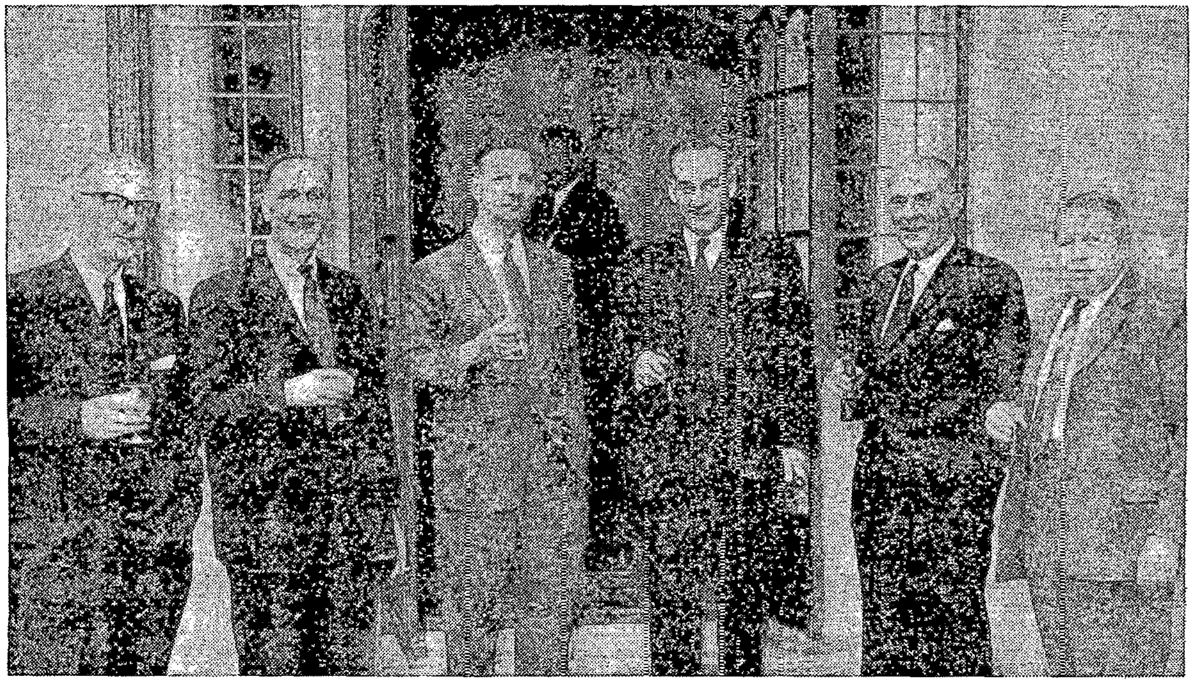
(13) As I have said, the Education Committee commenced its existence as the Committee on Relations with the Universities. Rather less than 10 per cent of those entering into articles are graduates of universities in the United Kingdom. Notwithstanding the substantial growth in the universities in this country, the proportion is no higher in 1964 than it was in pre-war years. This figure cannot be regarded as satisfactory; it compares unfavourably, for example, with the percentage of graduate clerks who enter into articles with solicitors. This is the position notwithstanding that in the immediate post-war years the Institute took the lead in promoting a 'joint

university scheme' with most of the red-brick universities whereby a graduate who follows a course embracing the study of accountancy, economics and law not only obtains a reduction in service under articles from five to three years (as can any graduate of any faculty) but can also claim exemption from the Intermediate examination.

(14) In the last eighteen months I have visited most of the universities in this country. There are ample signs of their interest in these 'vocational' subjects and, what is encouraging, particularly in the new universities now being established as well as at the older universities which have already given great help to the profession. Yet it would, in my opinion, be unrealistic to expect any sudden and substantial increase in the number of graduates entering into articles. There are immediate monetary attractions to them to enter industry after graduation; many may perhaps doubt whether they will necessarily be better placed for top-level advancement if they qualify as a chartered accountant after obtaining their degree; some may feel that they can enter industry after graduating and obtain some other accountancy or professional qualification while undergoing a period of employment.

Need to Attract Graduates

(15) Clearly the Institute must make a better 'image' with the graduate. I do not think that it is just a question of finance, immediate or otherwise; there are, I imagine, at least as many financial difficulties for a law graduate entering into solicitors' articles. The Institute should, rightly in my opinion, continue to seek to attract graduates irrespective of the subjects which they have read in their degree courses. Even more important is that accountancy should be established as a thoroughly respectable subject for study and research at university level. There is no reason why it should not be so, as some universities have already recognized. The Robbins Report itself regarded it as a suitable subject for first degree courses. It tends at some universities to be something of a 'Cinderella', at others it may not even be regarded as respectable for inclusion in degree studies. This must be remedied. The attraction to students of any subject must lie to some extent in the place which that subject occupies in the curriculum. Without wishing to suggest developments towards university degrees in accountancy (for I regard accountancy as best studied in relation to other subjects), there can be little doubt that there must be more chairs of accountancy, more qualified teaching staff, and, not least in importance, a substantial degree of research on the subject so that the bounds of knowledge are continually being advanced and so that new hypotheses are being found. This is the way in which all subjects worthy of study at university level have developed. The financing of such development is not a matter for this address. I would hope that the recent establishment of the Research Committee of the Institute will lead to an increasing degree



Some personalities at the conference. *Left to right:* Mr E. Hay Davison, F.C.A., Conference Chairman; Mr J. A. R. Pimlott, C.B., Under-Secretary, Department of Education and Science; Professor H. C. Edey, B.COM., F.C.A., Syndicate Leader; Mr R. J. W. Stubbings, B.COM., F.C.A., Syndicate Leader; Mr R. McNeil, F.C.A., Vice-President of the Institute; Mr H. E. Dance, M.ENG., M.I.E.E., M.I.MECH.E., A.M.I.C.E., Director, The Further Education Staff College.

of co-operation on research projects between members of the Institute and the universities.

(16) At the 'sixth form' level, there is now provision for a young man (or girl) of not less than 18 years of age and with at least two passes at the advanced level to obtain a reduction in service under articles of one year, so that he would serve for four years only. This is a clear indication of the wish of the Institute to encourage pupils to remain at school beyond the fifth form and the ordinary level. It is too early as yet to say what the effect may be upon our recruitment pattern. In all, about one-third of our total entrants have obtained a degree or have satisfied this to 'A' level requirement. We would certainly wish for more and the reduction of one year may produce substantial results. At least we shall less merit the remarks of headmasters that accountancy remains an 'O' level profession.

Introductory Courses

(17) Now I would like to say a word on the second major theme of the Education Committee, namely, the arrangements which are in hand for the provision of courses for articled clerks. We are concentrating upon the provision of introductory courses for articled clerks in the first few months of their articles and it is clear that the Council has in mind that attendance will at a future date be compulsory.

(18) Attendance cannot be made compulsory, however, until courses are generally available to articled clerks; but already the Royal Charter has been amended so that the Council has power to promote a bye-law to compel attendance. Recognizing the need in the interim to provide for clerks to attend courses where these are available, a new provision now appears in all articles of clerkship whereby a clerk has a right to twenty-one weeks of study leave, viz.:

(*a*) four consecutive weeks prior to the first attempt at each of three examinations; and
(*b*) nine weeks at other times, with the intention that part or all of this period should be used 'for attendance at courses of oral tuition where these are reasonably available and the principal so directs'.

(19) The Council is especially concerned with these introductory courses because they represent an attempt to ease the transition from full-time education to part-time professional study. It is important at this stage to give the students an early introduction to the place of the profession in the economic life of the community and an idea of the objects and purposes of the work on which he will be engaged during his period of training. This will clearly call for co-operation between colleges of further education and members of the Institute engaged in daily practice: the success of any course will not in my view be achieved without such partnership.

(20) The organization of these courses is a matter which the Education Committee has devolved upon the district societies of the Institute, for it is at this level that co-operation and partnership must be achieved. The Education Committee has given a clear indication in its policy statement of what in its opinion should be achieved by these courses. It is not intended that the courses should be directed primarily to examinations – and this is especially so of the introductory course for newly-articled clerks. On the other hand, there will clearly be opportunities within the allowance of study leave for pre-examination revision courses to be conducted. Further, many colleges will doubtless continue to operate weekly evening (or perhaps day release) courses over the whole period available towards an examination. I would expect these arrangements to grow, especially if the introductory courses prove a success and thereby encourage clerks to take advantage of other facilities which are available.

(21) I have limited this paper to what I regard as the two main themes of present activity of the Education Committee. They do not, of course, represent all the activities on which the committee has been engaged. They do represent, however, the two most likely aspects of continuing development. I wish that on the question of courses in particular I were able to prophesy what the ultimate object might be. That is a question to which I think no certain answer can be given at present. May I, however, suggest this. In 1951, the Council issued a statement by way of reply to the report of the Carr-Saunders Committee in which it made some blunt comments upon the ability of colleges of further education to make any contribution to the education of articled clerks. The decision of the Council in 1962 on the recommendation in the Parker Report and the negotiations with colleges which have been sponsored by the Education Committee are, I suggest, the clearest possible indication of the Institute's wish to be associated with the growing opportunities for higher education. The convening of this conference (the first of its kind in the history of the Institute) is a further sign of a willingness to experiment and to explore. If the present proposals appear to some to be too thin and ultra-cautious, could they not be viewed in the light of the changes in the past sixteen years? This wish to co-operate is, in my view, such a significant change that it should first be accepted in that spirit. The development of a sound and exciting system of professional education will depend at least as much upon the colleges of further education and other tutorial organizations as upon the Institute itself. Colleges will, I hope, not take it amiss if I ask for their help in persuading the profession that they have a contribution to make towards the education of articled clerks. The Council, members of the Institute and the clerks themselves will wish for success and are appreciative of the notable help already given: the future is therefore to a large extent dependent upon the co-operation and partnership which can be achieved and the success which may emerge from these early first stage ventures.

Weekly Notes

FIRE RATES GOING UP

WHEN it was announced that fire wastage in 1963 was about 20 per cent higher than in 1962 it was clear that it would not be long before there were further increases in fire insurance rates. The recent statement by the Fire Offices' Committee that there will be changes in the rates for commercial and industrial premises as from March 1st, 1965, came, therefore, as no surprise. For the 15 per cent surcharge which was imposed last winter was no more than an interim measure.

Now the tariff companies have made a detailed review of the individual claims experience and hazards of their several hundred rating categories, which depend on trade or occupancy. The aim of the premium adjustments is simply to try to spread more equitably fire insurance costs among policyholders as a whole. Thus, although most rates are likely to be increased by amounts varying from a few pence to a few shillings per cent, some will be unchanged. In a few cases there will be reductions.

The overall effect to the insurance companies is likely to be that, over two or three years, the premium increase from commercial and industrial premises will be in the region of 10 to 15 per cent.

Although premises protected by approved sprinkler installations already qualify for substantial premium discounts, in most cases the rates will be unchanged and further discounts will be given.

All in all, the 'good' risks will be let off lightly. But poor risks are likely to have to pay very much more heavily for fire insurance cover in the future.

RECORD E.C.G.D. BUSINESS

IN the second quarter of 1964 the Export Credits Guarantee Department insured 'commercial' business amounting to £314·6 million, a record figure for any quarter and 23·4 per cent above the corresponding quarter last year; business for the first half of the year was 18·5 per cent above the first half of 1963.

New 'commercial' business insured during the quarter where terms have exceeded six months' credit was £59·7 million, compared with the quarterly average over the previous twelve months of £52·6 million. It included contracts for aircraft (£7·8 million), ships (£3 million), mechanical handling installation (£2·2 million), generating plant (£5·5 million) and steelworks plant (£1·2 million).

The face value of comprehensive policies current at the end of the quarter was £1,263·5 million, compared with £1,207·6 million at the beginning of the quarter, and £1,048·4 million at the end of the corresponding quarter a year ago. The number of such policies rose to 7,174 against 6,969 at the beginning of the quarter and 6,448 at the end of the corresponding quarter last year.

New specific policies issued during the quarter amounted to £22·7 million. Taking these together with new contracts involving more than six months' credit declared under comprehensive policies, the total value of new business insured was £59·7 million, compared with the quarterly average over the previous twelve months of £52·6 million.

COPPER PRICE RISE

EARLIER this week Rhodesian Selection Trust and Anglo-American increased the price of copper wire-bars by £16 to £260 per ton. A week ago these two companies had to declare *force majeure* since they were unable to meet contracts due to the railway strike in Northern Rhodesia. These and other recent developments have drawn attention to the difficulty of regulating prices in the absence of a true market price.

It was only at the beginning of this year that the leading producers decided to fix their own price for copper instead of following the London Metal Exchange price, though for the previous two years the two big Rhodesian suppliers had co-operated in holding prices steady on the L.M.E. The producers feel they have a strong case for regulating the price. They are worried at the risk of substitution of copper by other metals, particularly aluminium, if prices rise too high. With more and more metal being sold on long term contract, the L.M.E. price came to be based on transactions representing only a relatively small proportion of the total trade in copper and undue price fluctuations tended to occur as a result of comparatively minor changes in L.M.E. stocks.

On the other hand there is little doubt that the present producers' price of £260 per ton does not reflect in the short term the growing demand for copper (the L.M.E. price is over £100 per ton higher). Under these conditions some consumers are likely to have difficulty in getting adequate supplies and it is understood that a similar state of affairs prevails in the case of zinc since a producers' price was established in this case.

BUILDING ACTIVITY

IT would seem that constructional activity will continue at a high level during the coming months though no marked rise in output is expected. According to the Ministry of Public Building and Works, work valued at £211 million was placed with contractors during May. This is well up to the high average prevailing during the early part of the year though below the record total of £240 million in April.

The official index of production in the construction industry is unfortunately rather out of date. Adjusted for seasonal fluctuations the index reached a peak, one-third higher than the 1958 level, in the last quarter of 1963 and the first quarter of 1964. The

industry was then believed to be working substantially to capacity and any further increase in output must come from the adoption of industrial building techniques.

There is little evidence that output has been seriously restricted by materials shortages. Some builders have complained of difficulty in obtaining bricks but to some extent this has been due to over-ordering on account of fears of shortage. The demand for bricks will, in any case, decline in the autumn.

The Ministry of Works, when issuing the figures last week, stressed that too much importance should not be paid to figures for individual months since the short-term trend may be affected by a few large contracts. Over a longer period they consider that the upward trend in orders is continuing. This will make an increase in productivity imperative if prices are not to rise substantially, although in the current year there has been little rise in the price of construction materials.

This is My Life . . .

by An Industrious Accountant

CHAPTER 238

WE proposed taking our final examinations in the coming December, Ned and I, and the thought that we would soon rank as qualified accountants was inspiring. It lent a spring to our walk and a swagger to our bearing. It also increased the pressure on our evening swotting; those long hours engrossed in the almost incomprehensible pages of our correspondence college brochures acted as an arrogance equalization account. They depressed our spirits and all but whitened our hair prematurely. At length we wilted. Come what may even articled clerks must enjoy holidays.

After much checking of budgets (be it remembered that in pre-war days we ranked as unpaid labour) we decided to go to the Isle of Man in August. A weighty factor in the ultimate decision was that we were being sent on an audit to Preston, naturally with full expenses paid by our firm, in the latter half of July. This timely coincidence obviously solved the train fare problem; free travel was a bonus not to be ignored.

Unfortunately, arguments developed subsequently. The day that we travelled north was one of sorrow, misery and rage, as the poet phrases it, indelibly inlined on the tablets of my mind when a century has faded from its page. In more prosaic language, communications broke down ruinously.

It started when we arrived at the railway station to book our tickets. Conscious of the profession's blueblooded dignity and our own high station in life, I travelled first-class as permitted by office rules. Ned, on the other hand, veins bulging with the ruddier blood of his freebooting ancestors, bought a third-class ticket and coolly pocketed the difference in the fare. Pennies from heaven, he carolled gaily, adding some brusque and uncalled-for observations when I remonstrated about maintaining the prestige of our office. 'Ah, take the cash and let the credit go,' he said, with Omar Khayyâm. However, I put him in his place by remarking loudly that he could save his lunch allowance by purchasing a bag of fish and chips, and he subsided.

There were three impressive V.I.P. types in my carriage, resplendent in expensive tie-pins, cravats, spats and so on, so I sat down with an air, disposing of my rolled umbrella and polished briefcase with due appreciation of my first-class status. We looked like four Cabinet Ministers, I reflected, or at least three company chairmen and a Private Secretary to the Treasury.

The illusion was shattered by Ned's appearance at the window. 'Here's that magazine you asked for, chum,' he said in an exceedingly low accent, thrusting into our midst a revolting paperback. A large cutout female figure in suggestive garb, pin-up style, unfolded from its centre to lie across my knee. After one shocked glance the V.I.P.s buried themselves in their financial journals. I buried my head metaphorically: Ned had squared the account.

However, as the miles rolled by they unbent and at some stage someone proposed a game of bridge if they could find a fourth. Naturally, I volunteered in lofty style to fill the gap. The biggest diamond stickpin hinted courteously that I might find their stakes too high. 'We play for sixpence,' he said. It wasn't excessive, really. In my own less moneyed circle twopence a hundred was normal enough, so I pooh-poohed the idea and we cut for partners forthwith. Here was my chance to finance my holiday hotel bill.

It was an even game, keenly contested, with little in the balance, and as we approached Preston I was playing an optimistic six spades doubled. This would finance my running expenses. Just then Stickpin said cheerfully: 'Best of luck, partner. At two pounds ten a hundred this rubber will be worth winning.' The cards nearly fell from my palsied fingers. Not sixpence a hundred but sixpence a point! How could they . . . – how could I . . . too late to demur, too late to explain, too late to feign a heart attack! Only time to smile a sickly smile as every finesse went wrong. Disaster!

Exchanging the return ticket for a third-class one, living on fish and chips, cutting out cigarettes, were bad enough. The gall and wormwood came when borrowing from Ned to last out the fortnight, while he lectured me on the dignity of the profession.

Finance and Commerce

Victor Value

THE accounts of London Grocers Ltd, from which this week's reprint is taken, reflect the strong pace of supermarket development. The company's expansion into large supermarkets is shown in the substantial rise in shop fixtures and fittings and the consequently higher depreciation.

The profit and loss account, however, hardly brings out the latter point. Reading the account immediately brings home another point – that the eye and the mind is now entirely accustomed to the columnar form. London Grocers' double-sided account which, in the original, covers both sides of a quarto page opening, has the eye running all over the shop – or should it be supermarket?

The balance sheet is also presented in what may now be called the 'traditional' form but is still acceptable to the eye. The profit and loss account is not. Another distraction is that on the left-hand side of each right-hand page in the report the words LONDON GROCERS are printed from bottom to top in letters $1\frac{3}{4}$ in. high which means that the letters run upwards through the account narrative.

What this achieves is difficult to see. It is all the more perplexing since the company intends to change its name to Victor Value (Holdings) – 'Victor Value' being the company's supermarket name.

Stamp Trading

The company was originally concerned almost entirely with the London area but is becoming increasingly better known in the Midlands and the North as well as in a wider area of the South. The report lists well over two hundred branches. In the year under review the company opened another ten big supermarkets and a further twenty-four are in the course of planning and building.

Included in the report is an eighteen-year statistical record showing that share capital has been increased from £32,000 to £1,681,250 with all but £8,000 of the increase coming from capitalization of reserves. Trading profits during the same period have risen from £23,340 to over the £1 million mark and gross dividends from £11,200 to £350,313.

How Many Houses?

LIKE most statements to shareholders in brewery companies, Mr M. A. Pryor's report to shareholders in Truman Hanbury Buxton & Co Ltd is a mine of information on the company itself and the trade in general. Reading Mr Pryor's report, however, shows an error of omission which should be rectified next year.

During the year the company built, or rebuilt, five new houses which are now open and trading and at the same time had twenty-one houses on the drawing-board, most of which will be started this year. Renovations and alterations were carried out on a further ninety houses but 'during the years ahead' many houses will have to be closed through Town Planning and Development.

But how many houses did the company own at the end of the financial year on March 31st? Mr Pryor does not say – although he does say that 'we have thirty-five hotels of various sizes'. A house and a hotel are very different.

Property Revaluation

A DEBENTURE operation is the means of providing shareholders in William Hancock & Co Ltd, the Cardiff brewers, with a partial guide to the worth of the company's licensed properties. For the purposes of the debenture issue certain properties had to be revalued for security purposes and it was considered convenient to have most of the licensed houses valued at the same time.

The valuation showed a figure of £6,428,075 compared with a book value of £2,626,860 on March 31st, 1963, but it is not intended to write up the properties in the books. Brewery buildings, depots and unlicensed properties have not been valued.

In the 1964 accounts freehold and leasehold licensed properties stand in the parent accounts, £3,000,365 against £2,811,824 in 1963 and in the group accounts at £3,017,340 against £2,844,962. The properties revalued, therefore, represented a high proportion of the total. It is hoped that in subsequent accounts the revaluation will not be allowed to slip out of sight.

Debenture Redemption

IN his statement to shareholders in W. P. Butterfield Ltd, the chairman, Mr Arthur Butterfield, admits that 'there are divided opinions in financial circles as to whether or not it is appropriate to debit to profit and loss account such amount as is required for the annual redemption of the debenture stock'.

The division of opinion does not deter the Butterfield board from continuing the policy adopted in the past and showing 'debenture redemption reserve' as an appropriation ranking ahead of the preference and ordinary dividends. The parent company's final available balance in the year to last March was £145,633 from which the debenture redemption reserve takes £27,925, preference dividend £8,422 and ordinary dividend £69,641.

Had the debenture reserve not been debited the ordinary dividend would have been covered 2·4 times. As it is, the payment is covered twice. The outstanding debenture stock now amounts to £915,383.

LONDON GROCERS LIMITED
AND
SUBSIDIARY COMPANIES

Consolidated Balance Sheet as at 31st December 1963

	£	£	1962 £	1962 £
Share Capital				
Authorised				
500,000 5% Cumulative Redeemable Preference Shares of £1 each	500,000		*500,000*	
3,500,000 Ordinary Shares of 1/- each	175,000		*175,000*	
26,500,000 "A" Ordinary Shares of 1/- each	1,325,000	2,000,000	*1,325,000*	*2,000,000*
Issued				
350,000 5% Cumulative Redeemable Preference Shares of £1 each fully paid	350,000		*350,000*	
2,700,000 Ordinary Shares of 1/- each fully paid	135,000		*135,000*	
23,925,000 "A" Ordinary Shares of 1/- each fully paid	1,196,250	1,681,250	*974,375*	*1,459,375*
Capital Reserves				
Subsidiary Companies	1,274		*1,274*	
Excess of Book Value of Assets at date of acquisition over Cost of Shares in Subsidiary Companies	21,369	22,643	*21,369*	*22,643*
Surplus				
Profit and Loss Accounts:—				
London Grocers Limited	256,714		*250,101*	
Subsidiary Companies	98,200	354,914	*160,570*	*410,671*
		2,058,807		*1,892,689*
Provision for Future Taxation		187,150		*250,215*
6% Debenture Stock 1975/80 (Secured on the Assets of the Companies)	161,348		*167,200*	
Add: Interest Accrued	2,420	163,768	*2,508*	*169,708*
6% Debenture Stock 1983/88 (Secured on the Assets of the Companies)	650,000			
Current Liabilities and Provisions				
Sundry Creditors and Accrued Charges	2,205,433		*2,013,364*	
Taxation	354,026		*386,048*	
Unclaimed Dividends	786		*862*	
Dividend recommended for distribution, net after tax				
Interim Dividend paid 6th March 1964	81,539		*67,949*	
Proposed Final Dividend	122,309	2,764,093	*101,924*	*2,570,147*
		£5,823,818		*£4,882,759*

LONDON GROCERS LIMITED
AND
SUBSIDIARY COMPANIES

Consolidated Balance Sheet as at 31st December 1963

	£	Depreciation Written off to date	£	1962 £	1962 £
Fixed Assets					
Freehold Properties at Cost or Valuation	940,074	—	940,074		*930,614*
Leasehold Properties and Leases at Cost or Valuation	420,597	68,168	352,429		*358,183*
Fixtures and Fittings, Shop and Office Equipment at Cost	2,480,414	817,995	1,662,419		*1,294,853*
Motor Vehicles at Cost	242,309	149,050	93,259		*96,904*
	4,083,394	1,035,213	3,048,181		*2,680,554*
Investments, at Cost					
Trade		19		*19*	
Other (Market Value, £6,191)		7,000	7,019	*7,000*	*7,019*
Current Assets					
Stocks at Cost or Market Value, whichever is the lower		2,342,272		*1,738,344*	
Sundry Debtors, Deposits and Payments in Advance		191,326		*233,813*	
Cash at Bank and in Hand		235,020	2,768,618	*223,029*	*2,195,186*
			£5,823,818		*£4,882,759*

NOTE:
Capital Commitments at 31st December, 1963 amount to approximately £180,000.

A. COHEN }
M. COHEN } *Directors*

LONDON GROCERS LIMITED AND SUBSIDIARY COMPANIES

Consolidated Profit and Loss Account for the year ended 31st December 1963

	£	£	1962 £	1962 £
Audit Fees				
London Grocers Limited	263		263	
Subsidiary Companies	1,512	1,775	2,059	2,322
Directors' Remuneration				
London Grocers Limited	81,766		83,519	
Subsidiary Companies	25,654	107,420	24,455	107,974
Debenture Interest		29,282		10,281
Net Profit before Depreciation and Taxation, carried down		881,393		852,375
		£1,019,870		£972,952
Depreciation		226,384		184,931
Taxation				
Income Tax 1964/65	180,197		227,376	
Profits Tax	78,735	258,932	98,434	325,810
Consolidated Net Profit, carried down		396,077		341,634
		£881,393		£852,375
Premium on Redemption of Debentures		117		111
Discount and Expense of Issue of Debenture Stock 1983/88		16,404		
Provision for Dividend for the year 1963				
Preference Shares				
Dividend at the rate of 5% per annum	17,500		17,500	
Less: Tax	6,781	10,719	6,781	10,719
Ordinary Shares				
Interim Dividend at the rate of 10% paid 6th March, 1964	133,125		110,938	
Proposed Final Dividend at the rate of 15%	199,688		166,406	
	332,813		277,344	
Less: Tax	128,965	203,848	107,471	169,873
Balance carried forward				
London Grocers Limited	256,714		250,101	
Subsidiary Companies	98,200	354,914	160,570	410,671
		£586,002		£591,374

LONDON GROCERS LIMITED AND SUBSIDIARY COMPANIES

Consolidated Profit and Loss Account for the year ended 31st December, 1963

	£	£	1962 £	1962 £
Trading Profits		1,019,870		972,952
		£1,019,870		£972,952
Net Profit Before Depreciation and Taxation, brought down		881,393		852,375
		£881,393		£852,375
Consolidated Net Profit, brought down		396,077		341,634
Balance brought forward from 1962	410,671		456,346	
Deduct: Capitalisation re Bonus Issue of Shares as per Resolution of 1st August 1963	221,875	188,796	221,875	234,471
Capital Profits on Sales of Assets		1,122		15,266
Dividend on Trade Investments		7		3
		£586,002		£591,374

CITY NOTES

THERE has been no strong follow-through to the stock-market's rise – in index terms – to an all-time peak. The very level of prices induced a degree of caution although there is no denying the strength of the market's undertone.

In the early part of this week, the market was waiting – with some trepidation – for the July trade figures, and the deflection of interest away from political hopes and towards economic facts showed once again that hope is a stronger influence than fact in stock-market calculations.

Although reaction was probably inevitable once a new peak had been established, a major retreat from the high level of prices was not to be anticipated. There is too much money available for investment for any temporary setback not to be offset sooner or later by returning demand.

There is still £1·5 million of unit trust money going into the market every week and pension funds are still, on balance, buyers of equities even if their buying is cautious and selective. Further than that, there are the thousands of relatively new investors in the market who have belatedly realized that inflation is here to stay and that equities provide protection against it.

Weight of money coupled with election hopes will keep the stock-markets – at least the equity sections – on a relatively even keel.

* * * *

THERE is hardly an element of surprise in the fact that profits for Lloyd's underwriters were under pressure in the three-year account to the end of 1963. Total premium and other income from all types of insurance was, at £355·4 million, some £3·8 million above the figure for the previous three years. The balance of profit, however, was only £24·5 million against £29·9 million – a profit ratio of 6·9 per cent against 8·5 per cent. The latter figure was the highest for several years.

* * * *

THE feature of the latest batch of local authority short-bond issues is the appearance of Cheshunt Urban District Council in the list, alongside 'bigger name' borrowers such as Surrey County Council, the North Riding of Yorkshire, Portsmouth Corporation, Cambridgeshire County Council and the two London boroughs of Paddington and Hampstead.

The market view is that Cheshunt's ability not only to borrow in such company, but on identical terms with the bigger names, will reassure local authority treasurers who might have thought that, like normal stock issues, the bond market would be confined to major borrowers.

* * * *

THE report by the Carreras company of record pre-tax profits of nearly £4·2 million, and of a dividend raised from 13½ to 16½ per cent, reflects the heavy swing towards filter-tipped cigarettes. Mr R. W. S. Plumley, Carreras deputy chairman, was thought to be 'talking through his hat' when, some years back, he forecast that filters would command 50 per cent of the market. But that point has already been reached in London and the South-east, although over the country as a whole filters command 40 per cent of the market. The Carreras group, Mr Plumley says, has significantly increased its share of the total United Kingdom cigarette market – 'Piccadilly', 'Guards' and 'Rothmans' King-size' are the company's big selling brands.

RATES AND PRICES

Closing prices, Wednesday, August 19th, 1964

Tax Reserve Certificates: interest rate 19.3.64 2¾%

Bank Rate

July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%

Treasury Bills

June 12	£4	8*s*	8·49*d*%	July 17	£4	11*s*	7·01*d*%
June 19	£4	8*s*	9·84*d*%	July 24	£4	12*s*	11·95*d*%
June 26	£4	9*s*	3·39*d*%	July 31	£4	13*s*	1·03*d*%
July 3	£4	9*s*	4·72*d*%	Aug. 7	£4	13*s*	0·79*d*%
July 10	£4	9*s*	7·75*d*%	Aug. 14	£4	13*s*	0·21*d*%

Money Rates

Day to day	3⅜–4½%	*Bank Bills*	
7 days	3¼–4⅝%	2 months	4 13/16–4⅞%
Fine Trade Bills		3 months	4 13/16–4⅞%
3 months	5¾–6¼%	4 months	4 13/16–4⅞%
4 months	5¾–6¼%	6 months	4⅞–4 15/16%
6 months	6–7%		

Foreign Exchanges

New York	2·78⅜	Frankfurt	11·07⅞
Montreal	3·00 13/32	Milan	1740⅛
Amsterdam	10·06⅞	Oslo	19·95¾
Brussels	138·64½	Paris	13·65½
Copenhagen	19·30⅝	Zürich	12·03¾

Gilt-edged

Consols 4%	63¾	Funding 3% 59–69	89¾
Consols 2½%	41⅜	Savings 3% 60–70	86⅜
Conversion 6% 1972	102⅜	Savings 3% 65–75	77⅜
Conversion 5¼% 1974	97⅝	Savings 2½% 64–67	92¼
Conversion 5% 1971	96¾	Treas' 5½% 2008–12	89½
Conversion 3½% 1969	91½	Treasury 5% 86–89	88¾
Conversion 3½%	57⅛	Treasury 3½% 77–80	76¼
Funding 5½% 82–84	95⅛	Treasury 3½% 79–81	75⅛
Funding 4% 60–90	93⅜	Treasury 2½%	41⅜
Funding 3½% 99–04	63⅝	Victory 4%	97¼
Funding 3% 66–68	90 23/32	War Loan 3½%	56¾

Practitioners' Forum

A VERTICAL FORM FOR DETAILED ACCOUNTS

HOW often, in the course of his professional life, does an accountant chance upon the efforts of other practitioners and stand amazed at the old-fashioned design of those accounts!

It is easy to sympathize with the causes of inattention to all that is desirable in modern accounting practice – overwork, understaffing, inadequate opportunities for relaxation and professional reading – without feeling inclined to condone the results. There should obviously, however, be no difference between the rules and procedures applied to the small client as to the large; it therefore behoves small practitioners, as well as their colleagues in the larger firms, to overhaul their basic forms and methods of presentation of accounts.

To some extent this has already happened in the case of the balance sheet and 'short-form' profit and loss account prepared for circulation by companies. In such cases, the influence of the Companies Act, 1948, though not universally observed in spirit so much as the letter (with rather odd results sometimes), has given some appearance of uniformity to the published accounts of public companies and a slightly different standard look to the accounts circulated to shareholders in private companies.

It is more common, in fact, to find the vertical form of profit and loss account in the case of public companies than in private companies. Nevertheless, some definite progress has been made in simplifying the form of presentation of companies' published accounts, even though (as witness current critical accounting comment and such documents as the Jenkins Report), there is still much to be done by way of improvement. The English Institute's recommendations on the form of estate and trust accounts, for instance, seem pointedly to be completely ignored.

Let us first examine the detailed accounts of the private company. How often do we meet an account set out in the manner shown in Figure 1 opposite.

Apart from some clumsiness in wording, there are some fundamental objections to the form of such a statement. In fact, it might be said that the only things right about it are its heading, and its final result. To start with, there is a tremendous wastage of space in the way the page is used. Virtually three-quarters of the left-hand side is wasted space. Then there is the manner in which the expenses are listed, no attempt being made to group similar items into proper sections or to show the profit or loss at particular stages, or to distinguish fixed or semi-variables from variable expenses – as though the compiler had never heard of costing!

Another point to make about such a statement is that it is based on the premise that because it may be convenient for book-keeping purposes to adopt a debit and credit system, it is necessarily valid and meaningful to the layman. Surely the reverse is nearer the truth? If this is admitted, then we must look for an alternative, non-technical method of setting out financial information. This is not a difficult task. If we take the example shown as Figure 1 and recast it in a vertical style we can achieve a vastly improved form of accounts (see Figure 2). It follows a form logical to those accustomed to costing statements, with opportunities to add additional information (e.g. statistical, budgetary, or accounting ratios, etc.). Even more important, however, is that such a form is likely to appeal to and be understood by the ordinary run of business man to whom the language and layout of 'traditional' accounting statements has no special significance. In this context, 'trad' is not always 'fab'.

This document is more useful and more understandable to any client and well worth the trouble involved. Other schedules submitted should include a five-year or ten-year comparative statement and particulars of significant ratios. After the first year these take no additional time to prepare, but will continue to earn the appreciation of clients.

'EXTENDED' TRIAL BALANCES

We were glad to hear from Miss D. M. Vaughan, F.C.A., of Edinburgh, who expressed interest in the article on 'extended' trial balances in 'Practitioners' Forum' in the issue of July 18th. She writes: 'We have been using this type of trial balance for the past twenty years, and over the years have evolved two refinements which practitioners may find helpful:

(1) We split "adjustments" into two or three columns headed

(i) "transfers" (the basis of journal entries);
(ii) closing entries;
(iii) grouping for accounts.

This makes these trial balances most useful when interim accounts are prepared and the books are not closed until the end of the financial year.

(2) When final accounts are being prepared we add two columns for the "after closing" trial balance, which in turn form the opening figures for the following year.'

Figure 1

SMALL MANUFACTURING CO LTD

Manufacturing, Trading and Profit and Loss Account for the year ended December 31st, 1963

	£ s d	£ s d		£ s d
Opening stock		4,832 0 0	Sales	27,601 3 2
Purchases		9,518 9 6	Closing stock	5,104 0 0
Manufacturing wages		6,882 9 1		
Balance, being gross profit, carried down		11,372 4 7		
		£32,705 3 2		£32,705 3 2
		£ s d		£ s d
Salaries and wages		3,011 8 0	Balance, brought down (41·2 per cent on sales)	11,372 4 7
National insurance		495 10 0	Discounts received	1,986 2 0
Rent and rates		1,066 16 8		
Gas, electricity and power ..		987 1 1		
Repairs		641 0 4		
Travelling expenses		396 15 0		
Postages		104 10 0		
Telephone		242 19 11		
Printing and stationery		78 17 5		
Audit and accountancy		136 10 0		
Sundry expenses:				
Depreciation:				
Plant and machinery.. ..	801 14 0			
Office furniture	10 11 0			
Motor-cars	152 10 0			
		964 15 0		
Bank charges and interest ..		305 11 1		
Discounts allowed		801 9 0		
Balance, being net profit carried to Appropriation account ..		4,124 3 1		
		£13,358 6 7		£13,358 6 7

Figure 2

Results of Operations for year ended December 31st, 1963

	£	£	Per cent on sales	1962 £	Per cent on sales	Variance £
SALES (*less* Discounts)		26,801	100·00	21,147	100·00	+5,654
Less						
MANUFACTURING COSTS:						
Materials	7,360		27·49	6,098	28·84	+ 1,262
Wages	7,228		26·96	5,972	28·24	+ 1,256
Repairs to plant, power, rents, etc.	1,860		6·94	1,465	6·92	+ 395
Depreciation of plant	802		2·98	756	3·57	+ 46
		17,250	64·37	14,291	67·57	+ 2,959
MANUFACTURING PROFIT		9,551	35·63	6,856	32·43	+ 2,695
Less						
SELLING EXPENSES:						
Per schedule		2,150	8·02	1,685	7·98	+ 465
GROSS PROFIT		7,401	27·61	5,171	24·45	+ 2,230
Less						
EXPENSES:						
Administration	2,971		11·08	2,538	12·05	+ 433
Financial	306		1·14	322	1·52	— 16
		3,277	12·22	2,860	13·52	+ 417
NET PROFIT (subject to tax)		£4,124	15·39	£2,311	10·93	+ 1,813

Vienna Congress of the U.E.C.

IMPORTANT EUROPEAN ACCOUNTANCY EVENT

OVER three hundred members of the English, Scottish and Irish Institutes of Chartered Accountants and of The Association of Certified and Corporate Accountants will be attending the Fifth Congress of the *Union Européenne des Experts Comptables Economiques et Financiers* (*U.E.C.*) due to be held in Vienna from August 31st to September 3rd. The general theme of the Congress will be the contribution of European accountants to the development of the European economy and it will be the first U.E.C. Congress to be held since the three Chartered Institutes and the Association, together with the leading accountancy bodies of the Netherlands and Scandinavia, joined the U.E.C. on April 1st last year.

The Austrian accountancy organization, *Kammer der Wirtschaftstreuhänder*, will act as hosts, and the Austrian Federal President, Dr Adolf Schärf, is to be Patron of the Congress.

Technical Sessions

The permanent committees of the U.E.C. have prepared papers on three subjects which will be considered by the Congress. These are:

'Budgetary control as an instrument in the management of business.'

'Possibility, usefulness and purpose of a standardized European plan of accounts.'

'The presentation of annual accounts of businesses, including groups of companies.'

There will be three technical sessions during the Congress on September 1st, 2nd and 3rd, which will be devoted to the presentation and discussion of these papers. The official Congress languages will be English, French and German, and simultaneous translation will be available at these sessions and also at the opening and closing sessions.

Business Programme

The Congress will open on Monday, August 31st, with addresses of welcome by the President of the Congress, Herr Karl August Ziegler, and the Mayor of the City of Vienna, Herr Franz Jonas, followed by an address by the President of the U.E.C., Dr Wilhelm Elmendorff. The Austrian Minister of Trade and Reconstruction, Dr Fritz Bock, an honorary member of U.E.C., will deliver the opening address and the Austrian Minister of Finance, Dr Franz Korinek, will then speak on 'International problems of finance'.

The business programme for Tuesday, Wednesday and Thursday will be as follows:

Tuesday, September 1st

9.30 a.m.–12.30 p.m. approx. *First Plenary Session. Budgetary Control as an Instrument in the Management of Businesses.* (1) 'Long-term programming', by J. Nataf, Expert Comptable. (2) 'Profit-planning and the business', by André Meary, Expert Comptable.

Contributors to the discussions: Prof. Ch. Bellefontaine (Belgium), Prof. R. Burgert (Netherlands), G. F. Dempsey (Ireland), J. Nichols (England), S. Peterson (Denmark), Dkfm. H. Prüsener (German Federal Republic).

2–5.30 p.m. approx. *Meetings of the Permanent Expert Committees.*

Wednesday, September 2nd

9.30 a.m.–12.30 p.m. approx. *Secondary Plenary Session; Possibility, Usefulness and Purpose of a standardized European Plan of Accounts:* (1) 'The establishment of a European plan of accounts', by Dr K. Hax. (2) 'Views on a European plan of accounts', by J. Nataf, Expert Comptable.

Contributors to the discussions: Prof. Dr A. Aldrighetti (Italy), F. Faber (Luxembourg), Prof. A. Grandell (Finland), W. E. Parker (England), D. G. van Til, Drs (Netherlands), Prof. I. Cuesta Garrigos (Spain).

2.30–5.30 p.m. approx. *Third Plenary Session: The Presentation of Annual Accounts of Businessses including those of Groups of Companies:* (1) 'Publication of financial information and its effect on the audits of undertakings and groups of companies', by Dr W. Dober; (2) 'Publication of information by undertakings and combines', by Prof. Dr E. Loitlsberger.

Contributors to the discussions: F. van Amerongen (Netherlands), A. Glomstein (Norway), Dr. R. Halpern (Austria), S. Löfgren (Sweden), E. D. Pauwels (Belgium), J. A. Stewart (Scotland).

Thursday, September 3rd

10 a.m.–12.30 p.m. approx. *Closing Session.* Report on the work of the Congress by the Honorary President of U.E.C., Maurice Moine.

Report on the work of the committees by the Secretary-General of U.E.C., Dr Louis Perridon.

Closing speech by the President of U.E.C.

Representatives of Accounting Bodies from Great Britain and Ireland

We give below the names of those attending the Congress representing the accountancy bodies in Great Britain and Ireland, with details of those who will be actively participating in the proceedings.

The Institute of Chartered Accountants of Scotland

The President, Mr J. W. Dallachy, M.A., C.A., Vice-President, Professor Robert Browning, C.B.E., M.A., LL.B., C.A., and Mr E. H. V. McDougall, Secretary of the Institute.

Institute delegates to the Assemblée des Délégués: Mr James C. Stewart, C.A., and Mr Alexander McKellar, C.A., both Past-Presidents of the Institute.

Mr Stewart will act as 'debater' at the discussions on 'The presentation of annual accounts of businesses including those of groups of companies'.

The Institute of Chartered Accountants in England and Wales

The President, Mr W. G. Densem, F.C.A., Vice-President, Mr R. McNeil, F.C.A., together with Sir Thomas Robson, M.B.E., M.A., F.C.A. (Member of the Council, Chairman of the Overseas Relations Committee and a Past-President); Mr S. John Pears, F.C.A. (Member of the Council, Vice-Chairman of the Overseas Relations Committee and a Past-President); Mr W. E. Parker, C.B.E., F.C.A. (Member of the Council); Mr C. A. Evan-Jones, M.B.E. (Joint Secretary of the Institute), and Mr P. Carrel, C.M.G., O.B.E., B.A. (Under-Secretary of the Institute).

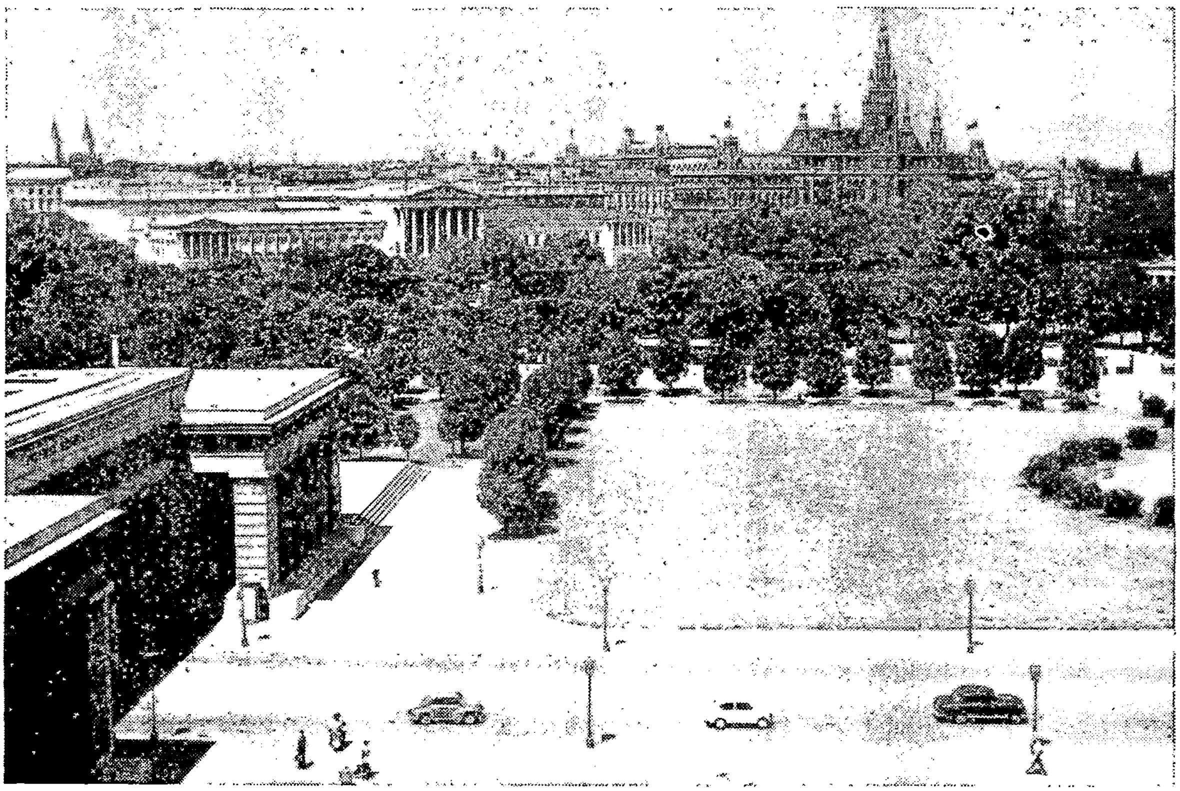


Photo: Austrian State Tourist Department

A view from the Hofburg Palace looking across the gardens to the spire of the Town Hall and the colonnaded façade of Parliament Building.

Institute delegates to the Assemblée des Délégués: Sir Thomas Robson, Mr S. John Pears and Mr G. B. Pollard, F.C.A. Mr C. A. Evan-Jones will act as technical adviser to the delegates.

Mr W. E. Parker will act as 'debater' at the discussions on the 'Possibility, usefulness and purpose of a standardized European plan of accounts'.

The Institute of Chartered Accountants in Ireland

The President, Mr John Love, F.C.A., Vice-President, Mr H. W. Robinson, PH.D., B.A.(MOD.), B.COMM., LL.B., F.C.A., and Mr W. Stuart Orr, B.A., LL.B., A.C.A., Secretary of the Institute.

Dr J. F. Dempsey, B.COMM., LL.D., A.C.A. (Member of the Council), will act as 'debater' at the discussions on 'Budgetary control as an instrument in the management of businesses'.

The Association of Certified and Corporate Accountants

The President, Mr R. Statham, C.B.E., J.P., F.A.C.C.A., Vice-President, Mr G. L. Barker, F.A.C.C.A., together with Mr J. E. Harris, B.COMM., F.A.C.C.A., Mr V. R. Chennell, F.A.C.C.A. (both Past-Presidents and Members of the Council), and Mr F. C. Osbourn, M.B.E., B.A., LL.B. (Secretary of the Association).

Association delegates to the Assemblée des Délégués: Mr J. E. Harris and Mr V. R. Chennell.

Association representative on the Commission Droit Comptable: Mr G. H. Lawson, M.A.(ECON.), A.A.C.C.A.

Mr J. Nichols, F.A.C.C.A. (a Member of the Council will act as 'debater' at the discussions on 'Budgetary control as an instrument in the management of businesses'.

City of Vienna

This will be the first time that Vienna has been the venue for the Congress, the preceding four U.E.C. Congresses having been held at Florence (1953), Brussels (1955), Nice (1958) and Zürich (1961).

Overseas visitors to the Congress who have not visited Vienna before will find it both picturesque and steeped in history. Those already acquainted with it will not, of course, fail to be charmed again. Popularly associated with the composers Strauss, Beethoven, Haydn and Mozart, its numerous other attractions include St Stephen's Cathedral which is the most significant example of Gothic and late-Gothic architecture in Austria, and the Hofburg, the former residence of the Austrian emperors, in the Kongresszentrum of which the business sessions of the Congress will be held.

Congress members and their ladies will be able to take advantage of a number of interesting tours through Vienna and the surrounding country which have been arranged during the Congress. An interesting social programme will also be held, including a reception by the Mayor of the City of Vienna and a banquet and ball in the Hofburg Palace.

FOR STUDENTS

COMPULSORY WINDING-UP

Grounds

A COMPANY may be wound up by the Court (*a*) when the company itself has by special resolution resolved to be so wound up; or (*b*) where there has been a default in the delivery of the statutory report or the holding of the statutory meeting; or (*c*) where it does not commence business within a year of incorporation or it suspends business for a whole year; or (*d*) where its membership falls below the statutory minimum; or (*e*) where it is unable to pay its debts; or (*f*) where, in the opinion of the Court, it is just and equitable to do so.

The usual ground for compulsory winding-up is an inability to pay debts. A company is deemed unable to pay its debts where a creditor of £50 or more has served a demand for payment which is not satisfied within three weeks, or where, if the Court, after considering all the circumstances, reaches the view that it is unable to do so or, where execution on a judgment remains unsatisfied.

The Court has in the past made orders on the 'just and equitable' ground for a variety of reasons; for example, where the substratum of a company has gone (*Re Bleriot Aircraft Co* [1916] 32 T.L. 323); where a company was conceived and created in fraud (*Re T. E. Brinsmead v. Sons* [1897] 1 Ch. 45) and where the company was a 'bubble' (*Re London & County Coal Co* (1867) L.R. 3 Eq. 355).

The Petition

An application to wind up a company compulsorily is made on one or more of the above grounds by means of a petition, which is made to the High Court if the company's registered office is in the metropolitan area or its paid up capital exceeds £10,000; otherwise it is made to the County Court of the district in which the registered office is situated. A petition may be presented by the company itself; by any creditor or contributory; by the Official Receiver where the company is already in voluntary liquidation or is being wound up under the supervision of the Court (section 224 (2)); or by the Board of Trade in consequence of one of its inspector's report (section 169 (3)).

Most winding-up petitions are made by creditors, since it is an effective way of enforcing payment against the company. A debenture-holder or an assignee of the whole or part of a debt may also petition. A contributory may not petition unless the company's membership has fallen below the statutory minimum or his shares were originally allotted to him or were held by him for at least six months during the eighteen months before the commencement of the winding-up or devolved upon him through the death of a former holder (section 224 1 (*a*)). The purpose of this is to prevent a person buying shares so that he can thereby destroy the company.

The Hearing

The petition is presented to the Registrar of the selected Court; the presentation being the commencement of the winding-up. The Registrar of the Court then fixes a time and place for the hearing of the petition. Seven clear days before the hearing the petition must be advertised, the effect of which is to invite creditors and contributories of the company either to support or oppose the petition. The petition is then served on the company at its registered office. An affidavit verifying the contents of the petition is filed with the Registrar of Companies within four days after presentation. Representatives of the company, creditors or contributories, may attend the hearing and any creditor or contributory wishing to appear must give notice to the petitioner of his intention to appear and whether he intends to support or oppose the petition.

At the end of the hearing the Court may decide either to dismiss the petition with or without costs; to order it to stand over; to order a winding-up under supervision; to make a compulsory winding-up order or to make any order it thinks just. If it orders a compulsory winding-up, the Court will appoint a liquidator and it will be his duty to bring in the company's property and place it under his control, to pay all debts and liabilities, and to distribute any surplus after providing for the payment of such liabilities.

The Winding-up Order

The effect of a compulsory winding-up order is to make void any disposition of the company's property or alteration in the status of members unless the Court orders otherwise (section 227). No litigation may thereafter be commenced or continued against the company except with the leave of the Court (section 231). No attachment, distress, execution or sequestration may be levied against the company or its property (section 228). The servants of the company are dismissed and directors' powers cease with the appointment of the liquidator.

The liquidator is appointed by the Court on the recommendation of the provisional liquidator, the Official Receiver, after the first meeting of the creditors and contributories. He must notify his appointment to the Registrar and furnish security before he can accept office. A corporation cannot act as liquidator (section 335).

The position of the liquidator is that he comes under

the control of the Board of Trade who may inquire into any improper exercise of his duties. He is liable in damages to any creditor or contributory for injury caused because of any breach of his statutory duty. He will be liable to repay any amount paid out on a doubtful claim. He will also be liable to unpaid creditors if he distributes the assets without making provision for all liabilities. He will not be liable for admitting a proof of a doubtful claim if he exercised all due care beforehand. His duties are to get in the company's property and bring it under his control as soon as possible; to settle the list of contributories; to call for, verify and admit proof of debts; to pay the debts and liabilities; to provide for contingent claims and finally, to distribute any surplus among the contributories.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS ADAM KER & SANGSTER, Chartered Accountants, of 26B Renfield Street, Glasgow C2, announce the retirement of Mr L. C. SANGSTER, C.A., from the partnership on June 30th, 1964, after an association of thirty-seven years with the firm. Mr ANDREW McDONALD, C.A., was assumed a partner on July 1st, 1964, and the firm will continue to be carried on in the same name and at the same address.

MESSRS D. C. BOLTS, S. H. MAYES, J. B. MOLYNEUX, A.A.C.C.A., and C. J. L. ROZARIO, A.C.A., announce that they have formed a partnership and have started practising under the style of BOLTS, MAYES & PARTNERS, 4 Bow Road, London E3. Telephone Advance 1582.

MESSRS W. F. BROWN & Co, Certified Accountants, announce that their address is now Derby Chambers, 4 Derby Street, Ormskirk. Telephone Ormskirk 3527.

MESSRS BYRNE, PALMER & Co, and MESSRS W. A. HARRISON & Co, Chartered Accountants, of Kingston upon Thames, announce that Mr D. A. PALMER, A.C.A., has retired from both practices and that Mr L. G. PALMER, A.C.A., and Mr A. C. CRIPPS, A.C.A., have been admitted into the partnerships. The style of both firms remains unchanged. Mr D. A. PALMER will continue to practise under the style of D. A. PALMER & Co, Chartered Accountants, at 52 London Road, Kingston upon Thames, Surrey. Telephone Kingston 7866.

MESSRS FOX & BROWNE, Chartered Accountants, of Goroka and Mount Hagen, New Guinea, announce that Mr J. G. BROWNE, A.C.A., will retire from the partnership in September 1964 to join a Sydney practice. Mr STEPHENSON FOX, B.COMM., F.C.A., F.C.I.S., will continue to operate the practice under the same firm name.

MR R. GOORNEY, F.C.A., and Mr D. J. HALL, A.A.C.C.A., announce that as from July 1st, 1964, they have formed a partnership and started practising under the style of GOORNEY & HALL, 19 Park Road, St Anne's on the Sea. Telephone St Annes 24978.

MESSRS HYLAND, RICHES & RAW, Chartered Accountants, of 7 Southampton Place, London WC1, announce that they have admitted into partnership from August 19th, 1964, Mr LESLIE GEORGE HICKS, A.C.A. The firm's name remains unchanged.

MESSRS WILSON, BIGG & Co, Chartered Accountants, 4/7 Chiswell Street, London EC1, announce that Mr HUGH ALEXANDER ROBERT JAMES WILSON, F.C.A., retired from the partnership on August 15th, 1964. Mr WILSON will continue to be available to the firm as a consultant.

Appointments

Mr David Craig, C.A., A.C.W.A., has joined the board of John Hygate (Bath) Ltd.

Mr David A. Ferguson, M.A., A.C.A., has been appointed chief accountant of the Bank of London & South America Ltd.

Mr J. R. Jones, A.A.C.C.A., has been appointed secretary of Seagers Ltd.

Mr P. J. Knights, F.A.C.C.A., chief accountant of Thermalite Ytong Ltd, has been appointed a director of the company.

Mr Ernest E. Tait, F.A.C.C.A., has been elected President of the South of Scotland Chamber of Commerce.

E.C.G.D. ADVISORY COUNCIL

Chartered Accountant Appointed Member

The Secretary of State for Industry, Trade and Regional Development has appointed Sir Joseph Latham, C.B.E., F.C.A., a vice-chairman of Associated Electrical Industries Ltd, to the Export Credits Guarantee Department's Advisory Council.

NEW HOUSING CORPORATION

Chartered Accountant Appointed Member

Mr Alexander Meikle, C.B.E., C.A., director and general manager, Woolwich Equitable Building Society, has been appointed a member of the new Housing Corporation.

The Corporation, which is under the chairmanship of Sir Caspar John, G.C.B., has been set up under Part I of the Housing Act, 1964, to stimulate through housing societies the building of houses and flats to let at cost rents or on the basis of group ownership.

THE ACCOUNTANT

Publishers' Notice

Gee & Co (Publishers) Ltd, the proprietors of *The Accountant*, announce that Mr Harold P. Kennett, secretary of the company, and Mr Arthur E. Webb, the editor, have been appointed directors.

FIESTA TOURS LTD

Following the announcement in our issue of August 8th, that the Board of Trade had appointed Mr John Peter Landau, F.A.C.C.A., and Mr William McLaren Howard, Q.C., as inspectors to investigate the affairs of Fiesta Tours Ltd, the Board of Trade further announces that information for the inspectors should be addressed to Mr K. J. Taylor, A.C.A., 13 Marylebone Road, London NW1.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

Appointment of Secretary

Mr Malcolm Holbech Walters, C.B.E., has been appointed Secretary of The Institute of Cost and Works Accountants and will assume executive responsibility on September 21st, when Mr F. W. H. Saunders, F.C.W.A., will cease to function as Acting Secretary.

After a distinguished career in the Army, in which he attained the rank of Brigadier, Mr Walters joined the senior management of a large industrial group in Australia. He was elected a Fellow of the Australian Institute of Management.

He returned to England early this year.

Appointment of Deputy Secretary

Mr T. B. Degenhardt, M.A., F.C.I.S., who has been an Assistant Secretary of the Institute for some time, has been appointed Deputy Secretary of the Institute.

THE INSTITUTE OF INTERNAL AUDITORS

Mr R. S. Rossiter, Divisional Internal Auditor, Shell-Mex and B.P. Limited (North Western Division) has been elected Vice-President (European (West) Region) of The Institute of Internal Auditors for the year 1964–65.

This appointment follows Mr Rossiter's term of office as President of the Manchester Chapter of the Institute in 1963–64 and a three-year period as secretary of the Chapter since its formation in 1958. During his presidential year the fourth European Regional conference of the Institute was held at Southport under the sponsorship of the Manchester Chapter.

World membership of the Institute is around 5,500, with over five hundred affiliated in the European Region.

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

At a recent meeting of the Executive Committee the chair was taken by Sir William Carrington, F.C.A., President of the Association, and eight members were present.

Applications for assistance

Four new cases for assistance were considered. In two cases a grant was made for one year; in the other cases no grant was made in view of the capital resources of the applicants.

Matters reported

Changes were reported in the circumstances of nineteen other beneficiaries and grants were adjusted or donations made in appropriate cases. The deaths of two beneficiaries were reported; one, age 99, had been assisted by the Association since 1937; the other, aged 92, had been assisted by the Association since 1949 and had recently been residing at a home of Crossways Trust.

Also reported was a donation of £50 from a member of the Institute who had acted as a referee in one of the new cases considered and who had expressed his pleasure at the speed with which the application had been dealt with.

ACCOUNTANCY STUDENT TO COMPETE IN OLYMPICS

Mr J. J. James, an articled clerk with Messrs Barton, Mayhew & Co, Chartered Accountants, has been selected to compete in the Olympic Games in Tokyo in October. He will row as bow in the coxless four event.

Mr James, who gained a B.SC.(ECON.) degree at the London School of Economics, hopes to take his Final examination of The Institute of Chartered Accountants in England and Wales in November.

OFFICE EQUIPMENT EXPORTS

Exports of office equipment for the first half of this year amounted to £27,287,938 – an increase of 9 per cent for the same period in 1963. Of this total £21·1 million comprised office machinery and £6·1 million other office equipment.

With the exception of the E.E.C. countries, where there was a drop of £742,026, office machinery showed increases to all foreign markets, compared with the first six months of last year. Sales to the Commonwealth were £4,839,436 (£4,065,393), E.F.T.A. countries £2,368,956 (£2,151,954) while those to other overseas countries amounted to £7,922,142 (£6,696,761). Leading customers for the period were Australia (£2,316,355), France (£1,828,731) and the U.S.A. (£1,707,887).

CORRECTION

We are advised by The Institute of Chartered Accountants in England and Wales that in the results of the May 1964 Intermediate examination published last week, the principal of Mr S. N. Bartarya, of London, was incorrectly stated as Mr J. Mayhew-Sanders. Mr Bartarya's principal is Mr J. E. Gilbey.

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE ACCOUNTANT

ESTABLISHED 1874

AUGUST 29TH, 1964 VOL. CLI. NO. 4680

CONTENTS

Congress Comparisons

THE Congress of Vienna, held in 1814, was both a political and a social occasion. Next week, in the same historic setting, another congress will meet – that of the Union Européenne des Experts Comptables Economiques et Financiers. It, also, will have its social side but the two events, separated in time by exactly one hundred and fifty years, will have another point in common. The Congress of Vienna met to establish political order in Europe after the long and devastating Napoleonic wars. The objective of next week's congress is to further the establishment of an ordered plan of European accounting.

A new and welcome feature of the forthcoming congress is that, although it is the fifth of its kind, it is the first to take place since the entry into U.E.C. of the four principal accountancy bodies of Great Britain and Ireland. None of their representatives is giving a paper but one member from each will act as a 'debater' at the discussions which form an important part of the plenary sessions.

Looking through the papers – which have now been circulated to the participants – with their concerted emphasis on planning and presentation it appears at once that the problems of the accountant on the Continent run exactly parallel with those which beset the profession in Great Britain and Ireland. M ANDRÉ MEARY discoursing on profit-planning and the business, and Dr W. DOBER reviewing the effects the publication of financial information has on audit requirements would be as equally at home at Oxford or St Andrews as in the Kongresszentrum of the Hofburg Palace. It is perhaps the third main subject of the congress, however – the possibility, usefulness and purpose of a standardized European plan of accounts – which best illustrates the comparison. Here the problems of rationalizing techniques so that private accounting can be co-ordinated with national accounting and with the requirements of economists and investors are demonstrated to be common to all progressive countries.

When the Congress of Vienna took place in 1814, an octogenarian French wit, thinking that pleasure was obtruding too much upon business, made the memorable remark – '*Le Congrès ne marche pas, mais il danse.*' There is little fear that a similar criticism will be levelled at the U.E.C. gathering. The 1814 affair dragged on for more than eight months and was overshadowed by the untimely escape of NAPOLEON from Elba. Next week's assembly is scheduled to last four days and the only distraction, we hope, will be the sedate social pleasures which the hosts, the Kammer der Wirtschaftstreuhänder, have thoughtfully arranged.

Demand for More Information in Company Reports

THE provision of information on the group composition of companies; analyses of trading results of such groups having widely differing operations, and the issue of quarterly or half-yearly interim reports are intended to be made obligatory for companies seeking a quotation on the London Stock Exchange. The disclosure of turnover, although recommended, is not, for the time being at least, an essential.

This, in essence, is the substance of a letter which has been sent this week by LORD RITCHIE OF DUNDEE, Chairman of the London Stock Exchange, to the chairmen of public companies. It can undoubtedly be described as 'a major break-through'.

The evolution of improved reporting by companies is a slow process; the need for fuller disclosure of information is far too infrequently reflected in the revision of company legislation; progress being mainly prompted by example, criticism, incentive and leadership. As we recently commented, it is over two years since the Jenkins Report was published, and as yet the Government has done nothing more than provide an outline of its thinking on company law amendment.

What the Stock Exchange now recommends is entirely reasonable, though it is not, of course, revolutionary; it is but requiring the general adoption of standards which to many companies are already commonplace; far too many companies, however, have not, and will not, conform without prodding.

On the occasion of the announcement of this year's winners of *The Accountant* Annual Awards the panel of judges drew attention to a number of points on which many company reports and accounts were deficient. These included the lack of information on the business of the company and on the spheres of operations of principal subsidiaries; failure to give information on substantial trade investments; and the failure to state clearly the basis on which assets are shown and on which stocks are valued. The absence of statistical summaries was also noted.

These, among others, are points which the Stock Exchange now seeks to remedy and which are detailed in the Appendix (reproduced elsewhere in this issue) to LORD RITCHIE's letter. This information exceeds the minimum present requirements of company law. It is, however, necessary these days in enabling shareholders, investment analysts and others to form a balanced view of a company's present state and future potentialities.

The three points on which the Stock Exchange intends to insist for admission to quotation are clearly in line with modern trends in company reporting. The 'exceptional' gradually becomes accepted practice and then obligatory.

In not making the provision of turnover a requisite for quotation, the Stock Exchange is being more cautious. On this, opinion is varied; some hold the view that it should be disclosed, while others assert it is not necessarily informative and could be misleading.

But information on group composition, on analyses of trading results in bigger groups – in particular in industrial holding companies – and the issue of quarterly or half-yearly interim reports are clearly essentials and few would dissent from the Stock Exchange view on these matters.

The general standard of company reporting in Britain has improved very considerably in the past decade, and in this we like to believe that *The Accountant* through its weekly columns and Annual Awards has played a significant part. Nor must the influence of the accountancy profession as a whole be minimized. Pronouncements of the professional bodies, notably the English Institute, have prompted improvements as have the contributions of individual accountants both in practice and in industry.

It would be churlish, however, if the only reaction to the Stock Exchange Council's proposals was to say 'and about time, too'. They have acted where the Government should have taken the initiative long ago. Not the least encouraging point in LORD RITCHIE's letter is that the Council is considering whether recommendations other than the three already specified should be made requirements for admission to quotation in the future.

Irish Institute Annals

THE earliest reference to accountants or auditors in Ireland appears in the records of the city of Dublin for the year 1316 when it was reported (in Norman French) that accounts of receipts and payments on which taxes were levied had to be submitted to the 'commonalty or their auditors'. In 1456, the same city appointed two 'audytores', a commendable practice which has been continued to the present day. In 1577, however, apprehensive of mounting time costs, it was ordained that 'the auditors shall continually remain in the Tholsell the whole day and their dinners be upon the city charges until they furnish the accounts' because, reprehensibly, 'when they break abroad at dinner time they are hardly gotten together again'.

What happened to the successors of these early worthies and to the profession of which they were the forerunners is told in pleasing detail by Dr H. W. ROBINSON, PH.D., B.COMM., LL.B., F.C.A., in a book specially written to commemorate the seventy-fifth anniversary last year of The Institute of Chartered Accountants in Ireland.[1] The story he tells is by no means insular. Like all good historians, he relates events and personalities to the broad background of contemporary happenings in other places and spheres. Thus the parallel emergence of organized accountancy in England and Scotland is skilfully interwoven into this theme, as is also the growth of industrial development in Ireland and elsewhere and its effect on the shaping of the profession as a whole.

But in accountancy, as in other forms of human activity in which skill, judgement and integrity are the criteria, it is the men who pioneered the profession that deservedly command the most attention. It is relatively easy to become and remain an exemplary chartered accountant with a built-in tradition behind one. To have established a code of ethics and conduct in the midst of rampant Victorian commercialism, and to have maintained it against fierce and often unscrupulous opposition, must have required a belief in one's convictions and a courage to implement them quite out of the ordinary.

It is apparent from looking at some of the portraits in Dr ROBINSON's book that the thirty-one practising accountants who formed the Irish Institute in 1888 must have possessed vision and grim determination. Asked two years earlier if he would join in a movement to form a branch in Ireland of the then Incorporated Society of Accountants, one of them replied dourly that 'they would have a Charter or nothing'.

And a Charter it was, although the new Institute was to experience many ups and downs before its members finally asserted themselves. The boat was rocked and might have been wrecked when ROBERT GARDNER, the first President, resigned when his action in calling in a London firm of chartered accountants to advise on a business amalgamation, in which he was involved, was criticized by the Council of the newly-formed Institute on the grounds that hiring English accountants to investigate a purely Irish matter was 'very prejudicial to the interests of the Institute, and unfair to its members'. Tradition has it that on resigning from the Institute, he threw a heavy inkwell through a glass panel bearing the inscription 'Craig, Gardner and Company, Chartered Accountants'. It was not until Sir ROBERT GARDNER (as he became) died in the nineteen-twenties that the firm was able to readopt the designation so abruptly shattered.

Numerically, the strength of the Institute was slow in gathering and it was not until 1911 that the membership reached one hundred, and not until 1927 that it became over two hundred. The greatest period of expansion was from 1928 onwards and at the end of last year the total was 1,782. Despite the 'small beginning', the Institute has always exerted a beneficial influence on the business community of Ireland and on the fiscal policies of the Government. Dr ROBINSON looks to the future soberly, but quietly confident that his Institute, facing the same domestic problems – professional education, management accounting and relations with the continental professional bodies – as its bigger brethren in England and Scotland, will tackle whatever comes with the same unquenchable spirit that has carried it so creditably through the first seventy-five years of its history.

[1] *A History of Accountants in Ireland* (The Institute of Chartered Accountants in Ireland, 50s net).

Taxation of Casual Earnings

by R. J. PICKERILL, F.C.A.

THE Courts have frequently been called upon to decide whether non-recurring sums received are chargeable to tax. Mr Justice Rowlatt defined the circumstances in which an assessment could be made under Case VI of Schedule D in respect of 'annual profits or gains' in the course of his judgment in the case of *Ryall v. Hoare* (2 A.T.C. 137; 8 T.C. 521), when he said:

> 'I think one may take it as clear that where an emolument is received or rather where an emolument accrues by virtue of some service rendered by way of action or permission or both, at any rate, that is included within the words profits or gains.'

His lordship said further:

> 'Annual profits or gains means profits or gains in any year as the succession of the years comes round.'

This broad view was restricted in the case of *Brocklesby v. Merricks* (13 A.T.C. 214; 18 T.C. 576) in that a sum received gratuitously may not be profits or gains if the sum does not accrue by virtue of a contract either express or implied. In consequence, if a service is rendered by action or permission without expectation of reward and a sum is gratuitously received thereafter, no liability to tax can arise unless it can be shown that such a receipt would not have been expected as a normal incident of business practice.

An example of this position is found in the case of *Bloom v. Kinder* (37 A.T.C. 158; 38 T.C. 77) where a solicitor acting in a private capacity entered into correspondence with the director of a company which led to the purchase of the capital of another company and received an introductory commission of 1½ per cent. As the solicitor had corresponded in a private capacity without expectation of reward, the sum he received was held not to be assessable.

Conversely, a person who was appointed as an agent of an insurance company so that the premiums on his own policies were reduced by the commission, was held to be assessable to tax on commission he subsequently received in respect of a policy taken out by a company of which he was the secretary, although he had not performed any service or induced the company to take out a policy with the insurance company for which he was the agent (*Hugh v. Rogers* (37 A.T.C. 412; 38 T.C. 270)). It follows that where a contract provides for payment for services and a payment is made, then the recipient is chargeable in respect of the sum involved, no matter how trivial the services may have been.

Schedule for Assessment

Annual profits and gains not otherwise charged to tax are assessed under Case VI of Schedule D. Services rendered under a contract or with the expectation of reward are thus chargeable unless either the services are performed as part of a trade or profession charged under Cases I or II of Schedule D or as part of an employment assessed under Schedule E.

In the recent case of *Lindsay v. C.I.R.* ([1964] T.R. 167) a hospital consultant who received fees for lectures to students was held to be chargeable under Schedule E and not Schedule D. Similarly in the case of *Fuge v. McClelland* (35 A.T.C. 274; 36 T.C. 571) a teacher was held to be chargeable under Schedule E in respect of the fees received from teaching at evening classes, and not under Schedule D.

To bring a casual and occasional activity within the ambit of a Case I or Case II assessment, rather than a Case VI assessment, it will be necessary to show that the activity is carried on with the intention of earning profits and on a regular rather than an occasional basis. The advantage of establishing that the activity is a trade or profession is that any losses incurred can be set off against other income under section 341 or carried forward and set off against income from the same trade under section 342. If losses do arise and the activity is assessed as a 'transaction' under Case VI, the losses can only be set off under section 346 against other Case VI income of the same or a succeeding year. It is to be noted, however, the assessments under Case VI are always on an actual basis while there will be a duplication of charge in the commencing provisions applicable to Cases I and II.

Authors

A writer has special problems for income tax purposes in that he creates an asset – his copy-

right which he can exploit by sale or by use in return for a royalty. It has also been held in a number of cases that a writer who agrees to write an article or a series of articles is liable to tax under Case VI of Schedule D on the 'annual profits or gains' arising from the provision of services. The case of *Housden v. Marshall* (37 A.T.C. 337; 38 T.C. 233) illustrates this latter situation. A jockey 'wrote' his memoirs through the medium of a 'ghost writer', and on appeal the Special Commissioners held that the amount received was predominantly for a sale of publication rights and was accordingly not assessable. Harman, J., took a different view and in the course of his judgment said:

> 'What was he paid for? He was paid for making available his reminiscences and for producing certain documents if called upon; and I think for nothing else. It is true that by clause 4 he is expressed to grant the British serial rights in the said reminiscences; but of course, there were no reminiscences in existence when he so contracted or so purported to grant the rights and the reminiscences were never his copyright; they were the copyright either of the man who wrote them, that is to say the "ghost", or the "ghost's" employers. There was nothing for the respondent to grant. He did it is true authorize the use of his name and a facsimile of his signature. That was something in which he had a property.'

The learned judge decided the case in favour of the Revenue and held that the contract was one for services, albeit trivial services, but nevertheless the fact that the respondent had no copyright which he was able to sell precluded a sale of a capital asset and as a result the payment for services was assessable under Schedule D, Case VI.

A similar case to be considered is that of *Hobbs v. Hussey* (21 A.T.C. 78; 24 T.C. 153). The appellant provided the material for a series of articles which were eventually to be published in serial form. He had dictated the articles and corrected the proofs, and received a lump sum for the serial rights. It was held that the true nature of the transaction was the performance of services by the appellant, the sale of the copyright in the articles being subsidiary thereto, and that the payments received were only profits or gains assessable under Case VI of Schedule D.

The appellant had based his case upon that of the *Trustees of Earl Haig v. C.I.R.* (18 A.T.C. 226; 22 T.C. 725), which concerned diaries considered to be of unique importance; when the trustees published extracts from these diaries they were held to have partially realized the capital value of the diaries. The value of these diaries lay principally in the fact that their contents were of a confidential nature. The learned judge held that this case was totally different from the *Hobbs* case.

When a book is written without any prior agreement for publication, liability cannot arise in respect of the provisions of services and then a charge to tax can only be made if the writer is carrying on the profession of an author. The case of *Glasson v. Rougier* (23 A.T.C. 88; 26 T.C. 86) shows that any sum received by a person carrying on the profession of an author, whether by way of royalty or by payment for the sale of copyright, is assessable as profits arising from the profession. A similar decision was reached in the case of *Mackenzie v. Arnold* (31 A.T.C. 369; 33 T.C. 363).

Film Rights

A barrister who had written plays for some years in his spare time in the hope of selling them, without success, eventually had a play successfully produced. There was held to be evidence on which the Special Commissioners could decide that he was carrying on the vocation of a dramatist, and that a lump sum received for the sale of the motion picture rights of the play, as well as sums on account or in advance of royalties for its continental production, were annual profits or gains of his vocation (*Billam v. Griffith* (20 A.T.C. 42; 23 T.C. 757.))

In *Withers v. Nethersole* (27 A.T.C. 23; 28 T.C. 501), the Special Commissioners found as facts that the respondent was not exercising at the time the profession of a dramatist but they nevertheless held the sum receivable by her was in the nature of royalties. The respondent was a dramatist who had been granted the exclusive right to dramatize a novel and to produce the play to be written. Subsequently the entire control of the film rights in both the novel and the play was vested in the author of the novel, the respondent, however, being entitled to one-third of the film rights. Upon the death of the author of the novel, the personal representative assigned to a film company the exclusive motion picture rights for a period of ten years, the consideration being £8,000, a third of which sum became payable to the respondent under the earlier agreement.

The House of Lords held, however, that there had in effect been a sale of property with a limited life, and that the payment was of a capital nature. There had been, in the words of Viscount Simon, a partial assignment of copyright by

the owner, who thereupon ceased to be owner of the portion assigned.

Spreading of Income

Under the provisions of section 471 of the Income Tax Act, 1962, a lump sum for sale of copyright or as advance royalties, and under the provisions of section 22 of the Finance Act, 1953, royalties received periodically in respect of the publication of a book during the two years immediately following first publication, are available to be spread over the year of receipt and the immediate preceding two years, or a shorter period according to the time required to write the book. Income which is received more than two years after first publication of the work must be assessed in the year of assessment covering the basis period in which it is received.

When a claim has been made under these provisions all such payments in respect of the same work must be brought into the claim. There is no option to have some payments assessed without spreading. While the taxpayer is at liberty to make his claim up to eight years after the year of assessment in which the work is first published it is possible for a claim to be made immediately following publication.

Roman Multiplication

by J. R. RICHARDS, A.C.W.A.

IT has intrigued me for some time – and, I believe, not a few others – how the Romans tackled what is, to us, a simple multiplication sum. We have no difficulty in solving the problem 44×19; the financial accountant will readily answer 836, and the engineer, after consulting his slide rule, will say 830± 1 per cent or even '830 give or take a little'. The cost accountant's answer, however, will be either (*a*) evasive, (*b*) pulled out as a variance, or (*c*) indecipherable.

But what about the Roman? Was he even able to answer at all? His sum looked like this:

$$\begin{array}{r} \text{XLIV} \\ \times\ \text{XIX} \\ \hline \\ \hline \end{array}$$

Where did he go from there?

I believe I may have stumbled across the method. The Roman knew that:

(1) I + I + I + I + I = V

(2) V + V = X

(3) X + X + X + X + X = L

(4) L + L = C

(5) C + C + C + C + C = D

(6) D + D = M

He could, therefore, divide C by 2 knowing it to be L; and divide D by 5 knowing it to be C. Further I think we can credit him with the ability of doubling any number or halving it, but let us not credit him with the ability to use fractions. Let us assume he ignored them. Half of V would then be II and half of L, XX.

By setting the two numbers to be multiplied side by side, successively doubling the left-hand column and halving the right-hand column, he would commence his solution thus:

	XLIV		XIX
(÷ 2)	XXII	(× 2)	XXXVIII
(÷ 2)	XI	(× 2)	LXXVI
(÷ 2)	V*	(× 2)	CLII
(÷ 2)	II*	(× 2)	CCCIV
(÷ 2)	I	(× 2)	DCVIII

*Ignoring the fraction ½ $\left(\text{or } \frac{\text{I}}{\text{II}}\right)$

Having reached unity in the left-hand column (which may be regarded as his working column), he then strikes out the even numbers in that column and the corresponding numbers in the right-hand column. He now has:

XI	LXXVI
V	CLII
I	DCVIII

and by adding the right-hand column he reaches the correct solution, DCCCXXXVI.

This method may be used with any numbers and, although lengthy in some instances, is infallible.

Stock-taking by Sampling Methods

by J. DRAPER, M.Sc.
Reed Statistical and Mathematical Services

THIS paper describes the experiences of stock-taking by sampling methods at two of the Reed Paper Group Mills. Emphasis is given to the practical aspects of the findings and the differences in the methods used at the two mills. A previous paper[1] gives more detail of the method used in one of the mills and also includes a note on the interpretation of the statistical measure of variability, the standard error.

As slightly different interpretations can be put upon the terms used in stock-taking, it is important to define the terms as used here. They are:

A *commodity* is a type of article that is identified by a commodity number – it might be a particular type of electric motor or a particular type of screw.

The *holding* of a commodity is the number of units of that commodity held in the store.

The *price* is the price per unit of the commodity according to the accepted accounting system.

The *value* of a commodity is the product of the holding and price; the value is in fact the basic variable of the stock-taking, the purpose of which is to estimate the total value of the whole store.

Two papers have been published in Applied Statistics in recent years concerning sample stock-taking. James[2] describes a sequential sampling method for checking the accuracy of a stores ledger. A maximum allowable error is decided for each of a number of price ranges and a chart is prepared for each. The procedure is that a commodity is randomly chosen, its physical holding counted in the store and compared with the ledger holding; a point is then plotted on the chart, which shows the accumulated total number of units counted against the total number of units missing or extra compared with the ledger. A further commodity is randomly chosen, counted, and another point plotted on the chart. This is repeated until a point is plotted in an area of the chart denoting action other than 'continue sampling'. The area of the chart is split into three by straight-line boundaries – accept ledger value, continue sampling, or reject ledger value and count all units.

Bryson[3] is concerned with large United States Government supply centres and describes a method of perpetual inventory using sampling. The store is physically stratified into sixteen 'lots' and at the beginning of each quarter a sample of commodities is counted within each lot. Those commodities found to have a physical count more than 1 per cent different from the records are said to be 'discrepant'. The sample provides an estimate of the proportion of discrepant commodities within a lot, and those three lots with the highest proportions discrepant are 100 per cent checked. The number of men employed on this job is such that sample checking all sixteen lots and then 100 per cent checking the three worst lots just lasts the quarter. At the beginning of the next quarter the procedure is started again.

Neither of these methods appeared immediately applicable to either of the stores concerned within the Reed Group, and perfectly straightforward sampling methods were used.

Consumable Stores

In the first mill concerned, all maintenance stores, before November 1960, were controlled on the Group computer and a weekly print-out was obtained giving amongst other things the current value of each departmental store. The cheaper the commodity, however, the greater the number of transactions involved and the low-valued commodities were costing a great deal to process. More specifically, of the 35,000 commodities in the maintenance store, the lowest priced 15 per cent were causing 60 per cent of the transactions, worth at the most only 20 per cent of the total value of all the transactions. It was decided that this lowest priced 15 per cent (up to £2 10s per unit) of commodities should be taken off control. The clerical and computing work for some five thousand commodities were saved and such commodities were termed 'consumable' stores, i.e. there was no longer a complete record kept of these stores.

In March 1961 the value of the consumable stores was required for the annual statement of accounts. It was agreed with the auditors that the value at take-over from the computer would be adequate as this had only been four months previous. A year later, in March 1962, stock-taking was necessary, however, and the accounts department of the mill decided to use a sample, because of lack of time and personnel, and the comparatively low total value of the store.

The store was subdivided into five separate departmental stores at the time and lists of all of the commodities within each were available. (This subdivision is known as 'stratification' in statistical terminology.) Random samples of commodities were chosen from the lists – approximately 11 per cent being sampled within each department – and the selected commodities were physically counted. The

A paper presented to the Industrial Applications Section of the Royal Statistical Society and reproduced by kind permission of the directors of the Reed Paper Group.

[1] Draper, J., *The Cost Accountant*, September 1963, page 330.
[2] James, J. S., *Applied Statistics*, November 1959, page 145.
[3] Bryson, Marion R., *Applied Statistics*, November 1960, page 178.

sample sizes were arbitrarily chosen as being about the number that could be coped with in the time available. The latest invoices for the sampled commodities were then looked up to give the current commodity prices, and the value of each commodity calculated. It was at this stage that the mill accounts department asked the advice of the statistics unit, as they were not sure how to calculate the possible limits of error in the sample estimate of total value. The results obtained from the analysis are shown in Table 1.

optimum allocation is obtained by making the sample sizes proportional to the product of the number of commodities in the stratum and the variability within the stratum of the commodity values. This variability is not known, of course, but that of the nominal values could be used as a reasonable approximation. Table 2 shows the sample sizes obtained by this method – very small samples for the low-valued strata and 100 per cent samples for the highest value stratum.

Table 1
1962 Sample Stock-taking of Consumable Stores

Department	No. of Commodities Total N	Sample n	n/N per cent	Estimated Value (£) Total	per Commodity	95 per cent Confidence Band for Estimated Total (£)
Instrument	540	66	12·2	1,146	2·1	± 547
Civil Engineering	279	29	10·4	1,747	6·3	± 902
Boiler	668	69	10·3	3,758	5·6	±1,476
Electrical	2,121	223	10·5	20,303	9·6	±6,439
Mechanical Engineering	1,520	184	12·1	19,001	12·5	±4,285
Total	5,128	571	11·1	45,955	9·0	±7,944

The estimated value of the store is £46,000 with a 95 per cent confidence band of roughly ±£8,000, i.e. there is a 95 per cent chance that the true total store value is between £38,000 and £54,000. A 95 per cent confidence band of ±£8,000 or ±17 per cent is not very precise, but in comparison with the total value of all of the mill's stock (not only maintenance stores), it is a relatively small amount. The results for the separate departments show the larger estimates to have the higher standard errors – indicating that it would probably be better to take comparatively larger samples from the higher valued groups. This was the intention in the next year's stock-taking, in 1963. The difficulty, however, was that there were no longer any up-to-date records of the consumable stores with which to subdivide or 'stratify' the store by value. This was circumvented by using a 'nominal value' obtained as follows: each commodity has nominal minimum and maximum holdings, and the price at the take-over from the computer was available for each; 'nominal value' was defined as the product of this old-fashioned price and the mid-holding – halfway between the nominal minimum and maximum.

Nominal Value Stratification

The frequency distribution of the 5,000 commodity nominal values is of the usual reversed-J shape, with many low-valued commodities and few high valued. More or less arbitrarily this distribution was split into seven nominal value bands and the computer was programmed to give a print-out of all commodity identity numbers within each value band for each departmental store. The next step was to decide the sample sizes for each nominal value stratum, the mill accountants having asked that the total sample size should be of the same order as in 1962. Assuming the same sampling costs per unit within all strata, the

Table 2
Sample Sizes, 1963 Stock-taking of Consumable Stores

Stratum (Nominal Value in pence)	No. of Commodities Total N	Sample n	n/N per cent
0 – 149	1,452	15	1
150 – 299	702	7	1
300 – 599	772	16	2
600 – 999	599	16	3
1,000 – 1,999	675	45	7
2,000 – 9,999	750	369	49
10,000 and over	132	132	100
Total	5,082	600	12

The actual commodities to be used in the sample were chosen from within each stratum by using tables of random numbers, and recording sheets were made out so that the physical check holdings, prices and values could be compared with the nominal. Random number tables are tables of digits such that each of the digits 0 to 9 has an equal chance of appearing anywhere in the tables. They provide the most convenient means of drawing an objective random sample.

When the recording sheets were returned with the results of the physical check, it was close to the end of the financial year, and the estimate of the store value and its standard error were calculated without delay. The estimate was £75,000 with a 95 per cent confidence band of ±£50,000 (compared with the 1962 figure of £46,000 ±£8,000). On two counts this result was wrong, the first definitely, the second hopefully. Firstly, there had been a deliberate effort during the year to reduce the value of the consumable stores; secondly, the confidence band was unlikely to have increased in such a fashion. The data were then re-examined, by comparing with the nominal, and two kinds of anomaly were apparent; where the

physical check value was very much greater than the nominal, and where the actual holding was zero. All of the sample results were checked to try and explain these anomalies.

Anomalies in the Data

The physical check value being much greater than the nominal was in some instances caused by mistakes. The kind of thing that occurred was that a price was quoted per gross or per hundred but the holding given in units. This small number of large errors was mostly confined to the electrical department and totalled £1,500. Assuming the rate for this kind of error is proportional to the sample size, then 100 per cent stock-taking would have given an error of £11,700 for the electrical department, and it is unlikely that these mistakes would have been noticed since in 100 per cent stock-taking nominal values would not have been tabulated.

A second reason for many physical check values being so much greater than the corresponding nominal values was that many of the holdings were considerably greater than the nominal maximum. This dated back to the days before the stores were controlled on the computer, and again primarily concerned the electrical department. Checking back to the final computer print-out before de-control, it was found that 240 commodities had at that time a holding greater than three times the nominal maximum, and, of these, fifteen were included in the sample. The graph on page 254 shows the physical check value in the 1963 stock-taking for these fifteen commodities plotted against the value when taken over from the computer. The correlation is high, and so, treating these 240 grossly overheld commodities as a separate stratum, and knowing the take-over values of all 240, a ratio estimate could be made of the current total value. It was in fact estimated with a standard error of just over £200, which is almost negligible in comparison with that for the rest of the store.

The last kind of anomaly lay in the large number of zero holdings. A zero holding could mean either that the commodity was temporarily out of stock, or that it was no longer needed in the store and no more had been, or would be, ordered. Of the sample of 600, twenty-seven came in the latter category, i.e. 4·5 per cent of the sample was no longer part of the store. There was then the additional problem of estimating the overall store size as well as the store total value. It was assumed that the same proportion (4·5 per cent) should be omitted from the store as from the sample, and a formula was developed to see by how much this further estimation increased the confidence band of the total store value estimate.

After these corrections and changes, the estimate of the total store value had fallen to £42,500 with a 95 per cent confidence band of ±£4,500, rounded to the nearest £100. (It may be of interest that the estimation of the store size because of the zero holdings only increased the 95 per cent confidence band from ±£4,441 to ±£4,524, a 2 per cent increase.)

Stratifying the sample by nominal value had therefore reduced the 95 per cent confidence band to ±11 per cent from the ±17 per cent it was in 1962 with roughly the same sample size.

For the 1964 stock-taking the lists of commodities for the different nominal value strata were brought up to date by deleting those commodities no longer held in the store and by inserting new commodities. The method of sampling was exactly the same as in in 1963, and no further points of interest emerged.

Controlled Stores

In the second mill, the engineering stores are controlled with a manual ledger. Whenever there is an issue or receipt in the store, the storeman raises a form in duplicate which gives details of the transaction. He keeps one copy and at the end of each day updates his own record which shows the current holding of each commodity, but not its price. The duplicate form is sent to the accounts department, where at the end of each month a large card ledger is brought up to date. Each commodity has its own card on which is noted the current transaction and its value, the current total value of the commodity, its holding and average price.

Now in this situation the purpose of the stock-taking is not to estimate the total value of the store directly (as it was with the consumable stores) but to check the accuracy of the ledger. This is so, since the sum of the values on the ledger cards gives an estimate of the total store value, but its accuracy is not known. It is quite likely, however, that this can be found with sufficient precision by means of a sample.

Again in this situation a ratio estimate seemed most appropriate. The ratio of the physical check value to the ledger value is estimated from a sample, and this gives a multiplier for the complete ledger value from which to estimate the complete physical check value. It was required to assess the accuracy of both the accounts ledger and the storeman's record, as the possibility of dispensing with the accounts ledger was being considered.

The store was stratified by value, using ledger value this time, and also in terms of 'fast' and 'slow' moving stock. This latter stratification was partly for convenience as the ledger is split in this manner. Optimum allocation of sample sizes is not so straight forward with ratio estimates; Table 3 shows sample sizes proportional to the product of the population size and value band mid-value; with the value bands used, the mid-value is very nearly proportional to the width of the band. It is unlikely that the precise allocation of sample sizes to the strata is very critical, however. Ten per cent of the sample was arbitrarily allotted to the commodities found nominally to be out of stock when the ledger records were used to stratify the store. This was done since these commodities would have been reordered and might well have arrived by the time of the physical check; also, it takes little effort to check zero holdings. A total sample size of 300 was arrived at (out of the 2,713), as a pilot sample

Grossly Overheld Consumable Stores

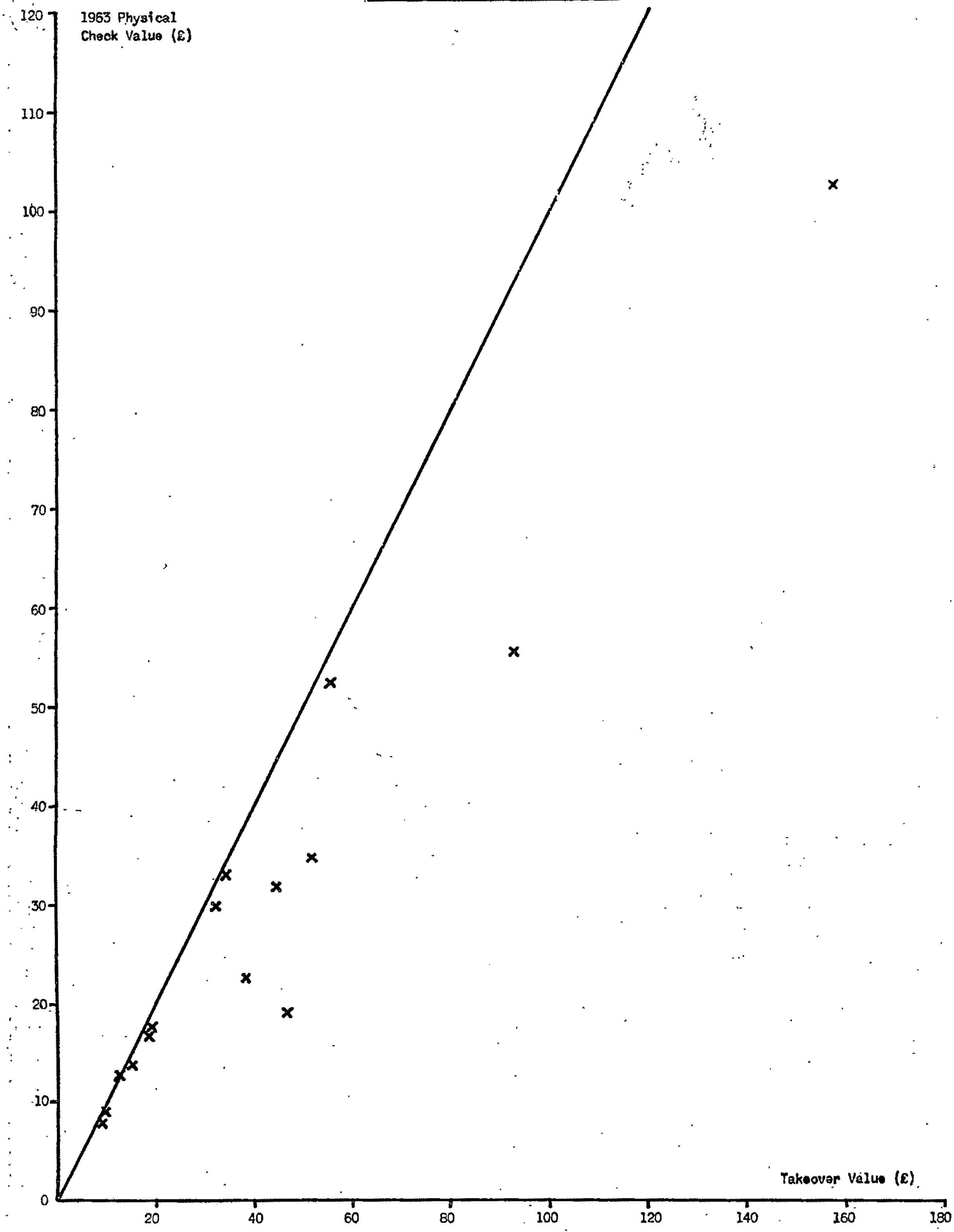


Table 3
Sample Sizes, 1964 Stock-taking of Controlled Stores

Stratum (Ledger value in £)	Slow Total N	Slow Sample *n*	Fast Total N	Fast Sample *n*
0 exactly	151	20	67	10
> 0, ⩽ 20	1,015	41	614	25
> 20, ⩽ 80	312	38	315	38
> 80, ⩽ 300	105	46	93	41
>300, ⩽1,000	26	26	14	14
>1,000	1	1	0	0
Total	1,610	172	1,103	128

check in November 1963 had suggested a 95 per cent confidence band of approximately ±3 per cent for this sample size, and this was thought adequate. The actual commodities in the sample to be physically checked were chosen with random number tables; a physical count was made of the sample commodities; these were recorded, together with the holding shown by the storeman's record, the current value, holding and average price shown by the accounts ledger.

Any discrepancy between the physical check value and the ledger value could be due to one or more of three causes:

(*a*) the information from the ledger had been incorrectly copied on to the sample recording sheets;

(*b*) the arithmetic on the ledger cards had been done wrongly;

(*c*) there was a true error in the current holding on the ledger card due to a transaction having been missed or attributed to the wrong commodity.

An attempt was made to minimize copying errors from the ledger to the working sheets by having the last transaction number noted alongside both the physical check holding and the accounts ledger records. These were supposed to tally. All of the sample ledger cards were checked for arithmetic and a few small mistakes were found. For these commodities a 'correct' price was calculated, but these small mistakes had a negligible effect on both the estimate of the mean ratio and its 95 per cent confidence band.

Although the storeman's record is purely of the holding of each commodity, it seemed preferable to estimate the accuracy of the record in terms of value, since this would be of most importance if the accounts ledger were to be dispensed with. Using a combined ratio, i.e. the ratio of the estimated total store physical check value estimated from the stratified sample to the estimated total ledger value estimated from the sample, it was found that:

(*a*) for the storeman's record the mean ratio = 98·3 per cent with a 95 per cent confidence band of ±1·0 per cent;

(*b*) for the accounts ledger, the mean ratio = 101·6 per cent with a 95 per cent confidence band of ±4·0 per cent.

As might be expected, the storeman's record is more accurate than the accounts ledger, as there are many fewer chances of making a mistake. The 95 per cent confidence band of the accounts ledger ratio is wider than had been expected from the pilot work, and this was most likely due to both girls who dealt with the ledger leaving within a fortnight of each other and being replaced only two months before the end of the financial year.

Discussion

The obvious reason for sampling is to save labour, and a balance needs to be struck between the cost of the exercise and the cost of the possible errors in the result. There is another way of saving work in stock-taking that has been considered, but has not as yet been used. This is from each value stratum to sample a higher proportion of commodities with low nominal holdings and a low proportion with high holdings. By this procedure there would be less counting, but the sample size could remain the same.

In conclusion, the findings from these two examples of sample stock-taking are summarized as follows:

(*a*) With a sample there is more time to spot gross mistakes. In a complete stock-taking these are likely to be missed and may well total more than the known uncertainty in the sample result. For example, in the electrical department alone in the 1963 consumable stores exercise the total gross mistake could have been £11,700, whereas the 95 per cent confidence band of the whole sample estimate was only ±£4,500 – about 40 per cent of the total gross mistake. A sample result has a degree of uncertainty but this is quantifiable and may well be less than the generally unquantifiable uncertainty of the result of a 100 per cent stock-taking.

(*b*) There was a labour saving of the order of £300 to £400 because of using a sample in place of a complete stock check. This saving is small compared with that achieved by taking the low priced commodities off control, but is nevertheless a saving.

(*c*) When deciding what precision is required of the sample estimate, account should be taken not only of the cost of the sampling, but also what value the store has in relation to the value of the other assets of the company.

(*d*) Finally, auditors are themselves often forced to use sampling methods because they just do not have time to check everything. At both of the mills concerned here, the auditors were willing to accept the sample estimated store values.

Weekly Notes

THE ASSOCIATION'S EXAMINATION RESULTS

THERE were 4,154 candidates for the June 1964 examinations of The Association of Certified and Corporate Accountants, of whom 1,825 were successful – twenty-seven passing with honours.

In Section II of the Final there were 417 candidates of whom 148 (35·5 per cent) passed. The First Place and Prize was won by Mr K. J. F. Walsh, of London; Second Place by Mr E. R. J. Hennessey, of Watford, and Third Place by Mr A. Gee, of Accrington. In Section I a total of 703 candidates sat of whom 264 (37·6 per cent) were successful. The First Place and Prize was won by Mr A. G. Glass, of Gravesend; Second Place by Mr A. P. Morgan, of Walsall, and Third Place by Mr I. R. Bradbery, of Farnborough, Hants.

There were 872 candidates for Section II, completing the old syllabus of the Intermediate examination, of whom 423 (48·6 per cent) passed. The first Place and Prize was won by Miss M. Distin, of London; Second Place by Mr J. Wotherspoon, of Clarkston, and Third Place was awarded jointly to Mr M. W. Hill, of London, and Mr D. T. Kitson, of Huddersfield. A total of 447 sat for Section II (new syllabus) of whom 202 (45·2 per cent) passed. The First Place and Prize was won by Mr C. E. Girdharie, of Leeds; Second Place by Mr R. P. Corbie, also of Leeds, and Third Place by Mr K. Preece, of Tipton.

In the Preliminary examination there were 186 candidates of whom 109 (58·6 per cent) passed.

The names of the successful candidates in Sections I and II of the Final examination, together with a summary of the complete results, appear elsewhere in this issue.

CAPITAL DIVIDEND PLAN

IN *The Sunday Times* of August 23rd it was reported that Rael-Brook – the shirtmakers – are giving their shareholders the choice of a dividend payable out of a capital profit realized on the sale of property or a dividend of identical amount paid 'free of tax' out of normal revenue profits.

The City Editor of *The Sunday Times* points out the advantages to a shareholder who is liable to a high rate of surtax of receiving a capital dividend from which no tax will be deducted and which will not be grossed up for surtax purposes. On the other hand, a charity not liable to income tax or a person liable only at reduced rates, will find it beneficial to accept the dividend paid out of revenue profits because the income tax deemed to have been deducted can be reclaimed.

The article suggests that it is now possible for any company to make a similar offer to its shareholders even if no capital profit has been realized because there is no legal bar to paying dividends out of unrealized capital profits, and an unrealized capital profit could be obtained by a revaluation of assets.

A number of reservations, however, apply to this statement. First, a company's memorandum or articles of association must authorize the distribution of capital profits. Secondly, dividends cannot be paid out of capital and before an unrealized capital profit can be distributed the profit must be calculated by reference to the value of the whole of the assets of the company. Any loss or diminution in the value of current assets must be made good before a dividend can be paid, so that only a surplus on revaluation in excess of such a diminution will be available for distribution.

It must be remembered that directors will be liable to refund the amount distributed if a dividend is paid out of capital but are not so liable if the distribution is based on a bona fide revaluation, even if such a revaluation proves to be an overestimate (*Stringer's* case (1869)).

Finally, but by no means the least of the reservations is the auditor's responsibility to report as to whether the accounts of a company show a 'true and fair view', in regard to which difficulties can well arise if the valuation of the assets is not realistic.

THE ECONOMIC OUTLOOK

THE industrial production statistics for June and the trade figures for July, both published last week, have given rise to some doubts as to the accuracy in the short term of the main statistical information available regarding the country's economy. The seasonally adjusted index for industrial production showed no change for the first six months of this year, the longest unbroken period without change since the present index was established ten years ago. Output in the second quarter of 1964 was nevertheless 7 per cent up on that for the second quarter of 1963 and the Central Statistical Office pointed out that the period of pause followed one of very rapid growth in the second half of 1963.

As regards the trade figures, although the trade gap narrowed in July to £87 million, compared with the revised June figures of £114 million, the reduction was entirely due to a fall in the import bill by £43 million. Just before the figures were issued the National Institute of Economic and Social Research said that Britain's share in world trade in manufactures and the big inflow of imports of manufactures threw doubts on her competitiveness. They anticipated an overall deficit for the year on balance of payments of about £500 million.

These unsatisfactory returns have been in market contrast to the information supplied by industrialists to their national associations. In particular information obtained by the Federation of British Industries

has suggested that output was still rising during the early part of the year. Various explanations have been put forward for the discrepancy: the engineering industries, for example, contribute about one-third to the total weighting of the index of industrial production and while engineering orders have been rising there is in many branches of engineering a considerable time-lag between starting and completing work on a particular order.

In an attempt to clear up the discrepancy the F.B.I. have undertaken a survey of the fifty main exporting companies to ascertain their views on the economic outlook including the prospects for the export trade. They are expected to publish their report in two to three weeks' time.

RETAIL PRICE TRENDS

ACCORDING to the National Institute of Economic and Social Research one of the main factors holding down industrial production in the second quarter of 1964 was a sharp rise in retail prices. This was regarded as probably temporary and was due to the budget tax changes, to rises in food prices, particularly beef and milk and to the annual rate increases. They calculated that if food and other seasonal items, rates and taxes excluded, the upward

---

This is My Life . . .

by An Industrious Accountant

CHAPTER 239

RECENTLY I received from our local accountants' society a leaflet which at first seemed scarcely worthy of serious notice. It advised a one-day taxation seminar in the following week. Why on earth do they call them seminars, instead of the forthright series of lectures which these affairs really are? We have such pretentious titles as symposiums or conversaziones, or colloquiums, all flaunting their organisers' ignorance of the Latin neuter plural.

On further consideration, attendance seemed to be a good idea. You know, we accountants in industry sometimes tend to be rather complacent about our knowledge of taxation complexities, won in the hard cut and thrust of practical cases, but really our experience is sadly limited. Time was when I used to prepare our own annual computation, but a subordinate does the job now, it being pretty routine in any case. The adjustments follow the usual run-of-the-mill pattern, some legal expenses and subscriptions added back, a casual flurry of rents and dividends grossed up and wear and tear allowances, and there you are. Except for maximizing investment allowances by getting new projects in before the year-end there's nothing to it. Anyhow the auditors keep an eye on our figures for safety's sake.

True, we occasionally have tricky briefs to prepare. We watch our narrations, and quote *Morgan v. Tate & Lyle* or Viscount Cave's edict in *Atherton v. British Insulated*, but that's just tactics. Possibly, I reflected, there was more to modern taxation than that.

So, in the mood of an elder statesman visiting a remote small branch of the party, I went along. Little I knew of what was before me.

The other participants seemed keen, quick-eyed young men, and the 'seminarian', an elderly bespectacled type, appeared glad to welcome a contemporary. He assured me affably that I'd obviously little to learn (a reasonable assumption, I thought) and flung me an ice-breaking question at an early stage. What was the optimum date of tax-payment, bearing in mind Tax Reserve Certificates and interest on overdue amounts and so on?

I'd just left an argumentative session with our chairman, who wanted me to draft a letter to the powers that be asking for deferment of his surtax cheque. He's never agreed to pay surtax by deduction. Tell them about his high cost-of-living, he had urged me, and his estate management expenses. Suggest that he wait till he gets our annual bonus cheque. . . . It seemed hardly an anecdote for the meeting, but while I hesitated my right-hand neighbour chipped in briskly with chapter and verse of the answer.

Later the lecturer asked me courteously if I had any interesting reminiscences to enlighten the meeting about losses carried forward. I hadn't actually. Our results have (*Deo gratias*) shown assessable profits for years past. I gave him my ideas about section 13 claims, however, and was in full flight when my left-hand neighbour whispered urgently, 'That's not 13, that's section 34 of the 1918 Act.' This interruption rather put me off my stride. Later still we became involved in an obscure paragraph of the 1962 Finance Act, which just didn't seem to make sense, and I realized how little I could contribute to such a specialist discussion.

After lunch I learned some aspects of balancing charges that I hadn't been previously aware of, prior to getting rather entangled in a trial run at a personal computation. This double residence business is more complicated than I'd thought, the question of liability for profits earned abroad having apparently altered since I last read about it.

Going home that evening I decided to do another tax seminar, and a correspondence course as well, before they find out in the office how little I really know about the subject. Perhaps it might prove enlightening to prepare the computation from scratch again, instead of looking at my assistant's figures. It's so easy to become rusty on taxation.

movement of prices in the second quarter was not exceptional and merely continued the increase of 2½ per cent which had prevailed over the previous year.

They therefore expected that for the future retail prices would rise more slowly than in the second quarter of the year. The official index of prices for July which was announced at the end of last week provided some confirmation of this view since at 107·4 (1962=100) it showed no change compared with June. The recent increases in the price of cigarettes and tobacco may affect the figure for future months but these increases were only of the order of 2 per cent while the weighting of cigarette and tobacco prices in the index is about 7 per cent.

The National Institute concluded that the standard of living should now begin to rise again. If wage rates continue to go up by 5½ to 6 per cent per annum, import prices stay steady and home prices go up more slowly, consumer expenditure should start to rise again at a rate of perhaps 3½ to 4 per cent a year.

TREND OF RETAIL SALES

THE *Board of Trade Journal* published last week gave detailed tables relating to the trend of retail sales in June. The seasonally adjusted index of sales, while showing an increase of 6 per cent compared with a year earlier, had remained unchanged for the whole of the first half of 1964. The overall index, however, masked a number of changes in individual classes of goods.

The seasonally adjusted index of retail sales of clothing and footwear fell by four points in June to 106 (1961=100) and although too much importance must not be attached to a single month's figure there has been a slow but steady fall from the peak figure of 112 in the third quarter of 1963. By contrast the index of sales of durable goods rose to 113 in June compared with 111 in the first quarter of the year and the last two quarters of 1963. Compared with a year earlier sales of durable goods in June were 7 per cent higher. Furniture, which showed an increase of 9 per cent was mainly responsible for this rise.

Stock Exchange Recommendations

On Information to be made available to Shareholders of Public Quoted Companies

Introduction

REPRODUCED below is the memorandum – discussed in a leading article on another page in this issue – which has been circulated this week to public companies under cover of a letter from the Chairman of the Council of The Stock Exchange, London.

In his letter, Lord Ritchie commends those companies which already provide much information in their annual reports and accounts beyond the statutory minimum, as well as those which publish quarterly or half-yearly statements.

However, the general standard of reporting over the broad range of public companies throughout the country leaves much to be desired, and the Council of The Stock Exchange in their memorandum direct attention to matters which, in their experience, 'are often not fully dealt with in company reports'. Furthermore, they stipulate three items of information of 'particular importance', the provision of which they propose to make obligatory requirements for admission to quotation, these are:

(i) information as to the composition of a group of companies and as to any major interests in associated companies;

(ii) where a company or group carries on widely differing operations, the provision of an analysis of trading results;

(iii) the issue of quarterly or half-yearly interim reports.

The Council also regard of 'particular importance' the disclosure of turnover; this, however, they do not propose to insist upon at the present time.

RECOMMENDATIONS

Fixed Assets

In order that shareholders can arrive at a clearer view of their fixed assets, it is recommended that land and buildings should be split between freeholds and leaseholds, and, if relevant, a division made between long- and short-term leases indicating where this division is drawn. Fifty years is suggested as a suitable dividing line.

A table of movements of fixed assets should be included in the notes to the accounts. Where fixed assets are substantial the greater the division between the different classes and the allocation of the charges for depreciation, the more useful the information becomes.

Where fixed assets have been revalued, in general the dates and sums remaining in the account from each valuation should be shown. Similarly, it may be advisable that the dates of purchase of major items which are included in the balance sheet at cost be shown.

In the case of leasehold land and buildings where

rents represent a substantial outgoing, the standing annual charge becomes an important point for consideration, and should, if material, be indicated.

Investments

Quoted investments should be valued and a distinction made between those which are current assets and those which are fixed assets.

A list of investments held as fixed assets should be included.

In the case of quoted trade investments the names and holdings in the companies should be revealed and the aggregate dividends for such holdings shown.

Subsidiaries

It is recommended that all companies should publish a list of their active subsidiaries, consisting of:

(i) their names;

(ii) the country of incorporation;

(iii) the amount or percentage of the holdings of the parent of each class of subsidiary's capital.

It is also recommended that the same information be given about companies which are not subsidiaries, but where a substantial proportion of the equity is held.

Stock-in-trade

It has been noted that the description 'as valued by the directors' is still put against the stock-in-trade in some annual accounts, although this does not indicate the basis of valuation and tends to weaken the reliance placed on it. A precise description of the basis of valuation is desirable.

Long- and Medium-term Borrowings and Liabilities

These should be divided in so far as it is relevant or practicable and the terms given, showing repayment dates, premiums on repayment and rates of interest.

Turnover

Sales turnover figures should be included in the report, together with a breakdown between the more important trading divisions. In the case of a company trading wholly or partly through subsidiaries, the figures given should be the external group net sales (i.e. excluding sales made within the group). Where the directors believe that publication of these figures may be misleading in the absence of explanations, it is recommended that publication could normally be effected by including such explanations and any others that may be necessary to show what constitutes sales or turnover or to distinguish between, say, products and services. In certain cases it is advisable to split turnover geographically or between products.

Interest on Borrowings

It is recommended that there be shown separately:

(i) interest on bank overdrafts and short-term indebtedness;

(ii) interest on medium- and long-term loans.

Investment Income

The income from non-trade investments should be divided between quoted and unquoted investments.

Depreciation

A note showing the method used in calculating depreciation should be included and any exceptional charge, such as one for obsolescence, should be shown as a separate figure.

Other Items which might be included in the Directors' Report or Chairman's Statement

Tables of relevant comparative figures for the past ten years.

The number of employees, where this is relevant.

Particulars of any controlling shareholdings in the company. It is particularly desirable that any shareholder should know whether he is a minority shareholder.

A clear description of the activities of the company, the relative importance of the different branches or divisions of the organization, together with a list of the principal products; and the geographical classification of the activities, together with particulars of any major currency difficulties or political uncertainties.

A number of companies now include details of their operating and trading activities. Some of these details are in the nature of statistics and help the annual report to be fully understood; this practice, which may avoid erroneous conclusions, is welcomed.

Interim Reports

The interval which elapses between the issue of companies' annual reports is in many cases too long a period for shareholders and the investing public to be without information, particularly when developments are taking place or trading conditions are changing.

The Committee on Company Law in their Report welcomed the practice now followed by many large companies of providing their members with interim reports.

While appreciating the difficulties that in some cases might attend the publication of interim reports, the Council of The Stock Exchange are of the opinion that such reports should be issued. The Council believe that the risk of misinterpretation of figures can usually be avoided by the provision of further information in the form of explanatory statements wherever appropriate.

The Council consider that the publication of quarterly or semi-annual reports, which should be sufficiently detailed to reflect the results for the period should, in the absence of very exceptional circumstances, be an aim of all quoted companies.

If the financial year of the company is altered so as to delay the publication of the accounts by more than six months after the usual date of publication, a progress report should always be issued about the usual date of publication of the accounts.

Finance and Commerce

G.E.C.

THE accounts of The General Electric Co Ltd, which form this week's reprint, cover a year in which the company made an impressive move towards its former level of profitability. The statistical information included with the accounts shows how strong the recovery in sales and earnings has been over the past four years during which, under the chairmanship of Mr (now Sir Arnold) Lindley, there has been intense and thorough reorganization.

Since 1961 total sales have risen from £118·6 million to £158·1 million, with pre-tax profits rising over the same period from £3·3 million to £11·7 million. Of the 1963–64 turnover, £39·6 million was in telecommunications and electronics where £28·6 million of assets are employed, £34·8 million was in consumer products employing £24·4 million of assets, £33·7 million in engineering employing £27 million of assets, £21·9 million in other electrical equipment subsidiaries employing £14·4 million of assets and £29·7 million in overseas subsidiaries employing £18·9 million of assets.

In the turnover figures, inter-group sales are included. In the sales figure there is included the cost only of output on nuclear contract work.

Resiting Needed

The General Electric report covers twenty-four pages, a fully detailed and illustrated 'Review of operations' taking fourteen of them. There is no 'chairman's statement' as such, the chairman preferring to keep his comments for the annual meeting, at which point it should be said that his work of reconstruction accomplished, Sir Arnold relinquished his position as chairman so that this year's annual meeting was his last in that capacity.

The accounts themselves are taken down to essentials in columnar form and the look could be improved by acknowledgement of the point made in this column recently – the need for emphasis on totals. The order of the accounts is consolidated profit and loss account, consolidated balance sheet, and parent balance sheet followed by the notes to the accounts.

Illogically the profit and loss notes appear opposite the parent balance sheet and turning forward and back is necessary to keep contact between accounts and notes. Repositioning of the notes would have helped.

Financial Refuelling

The accounts themselves also point to the final stages in the 'financial refuelling' of the organization with bank loans eliminated at home and with the bank borrowing shown in the consolidated accounts entirely concerned with overseas subsidiaries. The improved overall position of the group is being consolidated through the capitalization of £30,360,000 of reserves for a scrip issue on a '6 for 5' basis.

Since the date of the accounts the company has taken over Cannon (Holdings) on the basis of 20*s* a share for that company's 200,000 5½ per cent Preference shares and 127*s* 6*d* a share for its 600,000 Ordinary, a deal which brings gas cookers into General Electric's orbit.

The year's results, the directors state, 'indicate a satisfactory increase in overall efficiency and stem at least as much from expansion in some trading activities as from rehabilitation in others'. Profitability, however, is unevenly spread and is considered still 'inadequate in relation to the size and scope of the undertaking'.

Shades of Kitty

READING company reports is an instructive exercise. The amount of general knowledge to be gleaned is considerable. Not everyone, naturally, is in the position of being able to see the report of practically every company that issues one, but the extensive advertising of chairmen's speeches brings this intelligence to those who have the inclination and the time to read.

In the statement of Sir Robert Renwick to shareholders in Reliance-Clifton Cables and Industrial Products Ltd, there is, for example, an insight into the workings of the new electronic telephone exchanges. With a conventional exchange, the dialling of the required number automatically sets up a path through the local exchange and then through the distant exchange to the number called, a path that is reserved exclusively for that one conversation.

At the G.P.O.'s experimental Highgate Woods exchange each conversation is connected 10,000 times a second for just one millionth of a second. This enables each path to be shared by one hundred conversations – quite normal conversations as the ear cannot perceive these infinitely small intervals of time.

The caller, therefore, is speaking at 0, 5, 10, 15, 20 split split second intervals and someone else at 1, 6, 11, 16, 21 split split second intervals and someone else still at 2, 7, 12, 17, 22. Shades of 'Kitty' and 'Gerrard' of which revered readers of this column might have sung in their youth.

THE GENERAL ELECTRIC COMPANY LIMITED AND SUBSIDIARY COMPANIES

Consolidated Profit and Loss Account

for the year ended 31st March 1964

	Notes	1964	1963
		£	£
PROFIT ON TRADING	1	12,965,841	7,359,702
Deduct: Interest on Loan Capital		1,212,482	1,238,026
PROFIT BEFORE TAXATION		11,753,359	6,121,676
Deduct: Taxation	2	5,881,167	3,150,228
PROFIT AFTER TAXATION		5,872,192	2,971,448
Deduct: Minority Interest in Profit of the Year		252,850	201,460
PROFIT AVAILABLE FOR APPROPRIATION	3	5,619,342	2,769,988
APPROPRIATIONS			
Preference Dividends	4	206,413	206,413
Ordinary Dividends			
Interim (3%) net		464,888	422,625
Proposed Final (10%) net		1,549,625	986,125
Transfer to Revenue Reserve	8	3,398,416	1,154,825
		5,619,342	2,769,988

THE GENERAL ELECTRIC COMPANY LIMITED AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet

31st March 1964

	Notes	1964	1963
		£	£
FIXED ASSETS	5	32,149,080	31,689,507
TRADE INVESTMENTS	6	5,724,034	6,025,476
GOODWILL		1	1
CURRENT ASSETS			
Bank Balances and Cash		3,432,315	614,534
Trade and Other Debtors		48,192,077	39,462,657
Inventories at lower of cost or net realisable prices *less* receipts on account		55,831,124	57,241,095
TOTAL ASSETS		145,328,631	135,033,270
Deduct:—			
CURRENT LIABILITIES			
Bank Overdrafts		1,106,732	5,978,385
Trade and Other Creditors		31,611,301	28,131,250
Provisions		2,113,065	1,882,877
Taxation including Income Tax 1964/65		7,041,276	3,440,388
Dividends		1,626,800	1,511,956
TOTAL CURRENT LIABILITIES		43,499,174	40,944,856
NET ASSETS		101,829,457	94,088,414
SOURCE OF CAPITAL			
ISSUED CAPITAL			
Preference Stock	7	5,600,000	5,600,000
Ordinary Stock	7	25,300,000	23,000,000
		30,900,000	28,600,000
RESERVES			
Capital	8	16,266,410	14,040,440
Revenue	8	29,084,678	25,617,665
G.E.C. Ltd.'s STOCKHOLDERS' INTEREST		76,251,088	68,258,105
LOAN CAPITAL	9	21,916,457	22,249,297
MINORITY INTERESTS		2,932,137	2,956,022
TAXATION DEFERRED BY CAPITAL ALLOWANCES		729,775	624,990
		101,829,457	94,088,414

ALDINGTON
A. WEINSTOCK } DIRECTORS

THE GENERAL ELECTRIC COMPANY LIMITED

Balance Sheet

31st March 1964

	Notes	1964	1963
		£	£
FIXED ASSETS	5	17,139,754	17,427,927
TRADE INVESTMENTS	6	5,487,549	5,781,244
INVESTMENTS in and amounts owing by Subsidiary Companies	10	27,502,859	32,979,911
GOODWILL		1	1
CURRENT ASSETS			
Bank Balances and Cash		2,364,980	29,819
Trade and Other Debtors		23,893,776	18,129,645
Inventories at lower of cost or net realisable prices *less* receipts on account		30,712,288	30,991,485
TOTAL ASSETS		107,101,207	105,340,032
Deduct:—			
CURRENT LIABILITIES			
Bank Overdrafts		—	5,275,326
Trade and other creditors		14,718,401	14,640,617
Provisions		1,479,568	1,356,192
Taxation including Income Tax 1964/65		1,643,054	(296,298)
Dividends		1,626,800	1,511,956
TOTAL CURRENT LIABILITIES		19,467,823	22,487,793
NET ASSETS		87,633,384	82,852,239
SOURCE OF CAPITAL			
ISSUED CAPITAL			
Preference Stock	7	5,600,000	5,600,000
Ordinary Stock	7	25,300,000	23,000,000
		30,900,000	28,600,000
RESERVES			
Capital	8	13,220,122	11,607,700
Revenue	8	21,709,040	20,700,119
G.E.C. Ltd'.s STOCKHOLDERS' INTEREST		65,829,162	60,907,819
LOAN CAPITAL	9	21,157,914	21,378,814
TAXATION deferred by Capital Allowances		646,308	565,606
		87,633,384	82,852,239

ALDINGTON
A. WEINSTOCK } DIRECTORS

NOTES TO FINANCIAL STATEMENTS

Profit and Loss Account

	1964	1963
	£	£
1. PROFIT ON TRADING		
Profit shown is after crediting:		
Income from Trade Investments	384,759	385,792
and after charging:		
Depreciation	3,853,257	3,738,153
Remuneration of directors of G.E.C. Ltd		
Fees	20,000	9,000
Other Emoluments	122,938	113,412
Remuneration of Auditors of the Group	73,793	73,477
Provisions	691,862	577,007
2. TAXATION		
United Kingdom Taxation on profit of the year:		
Profits Tax	1,392,757	690,399
Income Tax	3,633,492	1,529,205
Overseas Taxation	854,918	930,624
	5,881,167	3,150,228

The charge shown above for United Kingdom Taxation is relieved by £708,192 (*£479,065*) in respect of Investment Allowances and increased by a transfer to Reserve for Taxation deferred by Capital Allowance.

	1964	1963
3. PROFIT AVAILABLE FOR APPROPRIATION		
Retained by Subsidiary Companies	2,517,978	175,406
Dealt with by G.E.C. Ltd	3,101,364	2,594,582
	5,619,342	2,769,988
4. PREFERENCE DIVIDENDS		
On Preference Stocks of G.E.C. Ltd *less* Tax:		
6½% A Cumulative Preference Stock	71,663	71,663
7½% B Cumulative Preference Stock	82,687	82,687
4½% C Cumulative Preference Stock	52,063	52,063
	206,413	206,413

NOTES TO FINANCIAL STATEMENTS

Balance Sheet

5. FIXED ASSETS

	GROUP 1964	GROUP *1963*	G.E.C. LTD. 1964	G.E.C. LTD. *1963*
	£	*£*	£	*£*
Freehold and Leasehold Land and Buildings at Cost	18,625,880	*19,632,399*	10,527,452	*11,324,375*
Less Depreciation	5,857,071	*6,481,296*	4,053,760	*4,452,435*
	12,768,809	*13,151,103*	6,473,692	*6,871,940*
Fixed Plant and Machinery at cost	29,939,414	*28,416,755*	17,752,355	*17,157,357*
Less Depreciation	15,330,436	*14,342,780*	9,577,982	*8,925,978*
	14,608,978	*14,073,975*	8,174,373	*8,231,379*
Portable Plant, Tools, Patterns, etc. at cost	7,084,024	*6,005,819*	3,379,974	*2,654,003*
Less Depreciation	3,616,868	*3,005,518*	1,586,652	*1,113,356*
	3,467,156	*3,000,301*	1,793,322	*1,540,647*
Fixtures and Office Equipment at cost	2,651,768	*2,847,682*	1,386,466	*1,459,764*
Less Depreciation	1,347,631	*1,383,554*	688,099	*675,803*
	1,304,137	*1,464,128*	698,367	*783,961*
	32,149,080	*31,689,507*	17,139,754	*17,427,927*
Commitments for Capital Expenditure at 31st March, 1964, were	1,835,055	*1,199,482*	1,015,283	*502,297*

6. TRADE INVESTMENTS

	GROUP 1964	GROUP *1963*	G.E.C. LTD. 1964	G.E.C. LTD. *1963*
Associated Companies and other Investments at cost	5,990,249	*6,385,313*	5,690,028	*6,082,764*
Less amounts written off	266,215	*359,837*	202,479	*301,520*
	5,724,034	*6,025,476*	5,487,549	*5,781,244*

7. SHARE CAPITAL

	Authorised £	*Issued* £	*1963* £
6½% A Cumulative Preference Stock	1,800,000	1,800,000	*1,800,000*
7½% B Cumulative Preference Stock	1,800,000	1,800,000	*1,800,000*
4½% C Cumulative Preference Stock	2,000,000	2,000,000	*2,000,000*
Ordinary Stock	30,000,000	25,300,000	*23,000,000*
	35,600,000	30,900,000	*28,600,000*

At 31st March, 1964, there were outstanding options on 535,195 £1 Ordinary Shares. Of these, 494,120 were at a subscription price of 43/2d. per share and the remainder as prices ranging from 47/3d. to 70/-d. The above number of shares and subscription prices are as adjusted by the 1 for 10 Scrip Issue in accordance with the terms of the Share Option Scheme approved by the Stockholders on 5th September, 1963. The effective dates of the exercise of the options are 30th September, 1965, and/or 31st March, 1966, unless varied.

NOTES TO FINANCIAL STATEMENTS

Balance Sheet

8. RESERVES

	GROUP Capital	GROUP Revenue	G.E.C. LTD Capital	G.E.C. LTD Revenue
	£	£	£	£
Balances as at 31st March, 1963	14,040,440	22,617,665	11,607,700	17,700,119
Scrip Issue including expenses of issue	(2,308,195)		(2,308,195)	
Profits (*less* losses) on Sales of Assets	4,540,481		3,896,498	
Share Option Monies	24,119		24,119	
Adjustments between Reserves	(30,435)	30,435		
Adjustments relating to prior years, net		38,162		128,482
Appropriation from Profit and Loss Account		3,398,416		880,439
	16,266,410	26,084,678	13,220,122	18,709,040
Add Contract Contingency Reserve at 31st March, 1963		3,000,000(*a*)		3,000,000(*a*)
	16,266,410(*b*)	29,084,678	13,220,122(*b*)	21,709,040

(*a*) In 1961 part of the Revenue Reserves of G.E.C. Ltd. was earmarked as the Contract Contingency Reserve.
(*b*) Includes £9,094,158 Share Premium Account.

9. LOAN CAPITAL

	GROUP 1964	GROUP *1963*	G.E.C. LTD 1964	G.E.C. LTD *1963*
	£	*£*	£	*£*
6½% Debenture Stock 1978/83	409,650	*419,250*	—	—
Other secured loans	1,506,807	*1,830,047*	1,157,914	*1,378,814*
4% Unsecured Loan Stock 1975/80	6,000,000	*6,000,000*	6,000,000	*6,000,000*
6% Unsecured Loan Stock 1976/81	6,000,000	*6,000,000*	6,000,000	*6,000,000*
6% Unsecured Loan Stock 1979/84	8,000,000	*8,000,000*	8,000,000	*8,000,000*
	21,916,457	*22,249,297*	21,157,914	*21,378,814*

10. INVESTMENTS IN AND AMOUNTS OWING BY SUBSIDIARY COMPANIES

	1964	*1963*
	£	*£*
Investments at cost *less* amounts written off	10,825,095	*10,836,786*
Loans and Current Accounts *less* provisions	20,395,401	*23,148,003*
Less amounts owing to Subsidiary Companies	3,717,637	*1,004,878*
	16,677,764	*22,143,125*
	27,502,859	*32,979,911*

11. CONTINGENT LIABILITIES

Total liabilities amounted to £995,000 (*£654,000*) includnig £163,000 in respect of Bills discounted, £732,000 guarantees and £100,000 for uncalled Share Capital in sundry investments.

12. FOREIGN CURRENCIES

Items in foreign currencies have been converted at the rates ruling at the following dates:—
Fixed Assets—at dates of acquisition.
Other assets and liabilities—at the date of the Balance Sheet.

CITY NOTES

THE Chancellor of the Exchequer's insistence that there is not a balance of payments crisis ahead as grave as the National Institute of Economic Affairs suggests, has allowed the stock-market to shift its view back to political hopes again and away from economic facts.

Despite the Chancellor's reassurance, the fact remains that exports are flagging and that the balance of payments gap is dangerously wide. Investigations into the export effort will not increase exports themselves and, although the view is that maturing big-scale capital equipment export orders may put a better complexion on the export figures in the next two months or so, the position is a matter for concern.

But so long as there are comforting official statements, and so long as the accent is placed on 'built-in correctives' and the availability of stand-by credits with the International Monetary Fund, the stock-market – as a reflection of public investment opinion – is unlikely to become depressed.

Optimism seems to be equally 'built in'. Temporary reaction in prices only serves to bring in new buyers. Buying is mainly on small investor account but support has exaggerated effect on a market in which supplies at the present pitch of prices are relatively short.

* * * *

FORMATION of a Commonwealth Bank is advocated by Barclays Bank D.C.O., in its latest *Overseas Review*, as a means of greater financial and economic liaison and power in Commonwealth development. As a means of greater economic co-ordination within the Commonwealth, such an institution would seem to be needed.

Its formation, however, would naturally be more eagerly welcomed by potential borrowers – the newly independent and under-developed members of the Commonwealth – than by the highly developed and more sophisticated members who would play the role of depositors, presumably on a cheap money basis.

All the same, formation of such a bank would provide a central source and force which Commonwealth development appears to lack at present.

* * * *

THERE have been suggestions of late that the motor industry's boom is 'over the top', but Mr G. W. Harrison, chairman of the British Motor Corporation, reports that 'with a healthy order book for this time of the year the prospects for the coming months are promising'. In the year to the end of July, B.M.C. produced 858,775 vehicles – an increase of 14·17 per cent on the previous year, and of 43 per cent on the year before that. Backed by a sound home market, production for overseas totalled 320,181 vehicles – an increase of 18·5 per cent.

* * * *

THIS month's issue of *The Building Societies' Gazette* reviews 'A Month of New Ideas', the most important of which would appear to be the suggestion, now being discussed at top level, for a reduction in the minimum reserve ratio from 2½ per cent to 2 per cent for societies with assets of over £100 million. Such a move would provide a growth boost. Preserving the current reserve level puts a brake on building society expansion. The £100 million asset qualification would, it is argued, also provide a spur for building society mergers.

RATES AND PRICES

Closing prices, Wednesday, August 26th, 1964

Tax Reserve Certificates: interest rate 19.3.64 2¾%

Bank Rate

July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%

Treasury Bills

June 19	£4	8s	9·84d%	July 24	£4	12s	11·95d%
June 26	£4	9s	3·39d%	July 31	£4	13s	1·03d%
July 3	£4	9s	4·72d%	Aug. 7	£4	13s	0·79d%
July 10	£4	9s	7·75d%	Aug. 14	£4	13s	0·21d%
July 17	£4	11s	7·01d%	Aug. 21	£4	13s	0·98d%

Money Rates

Day to day	3¾–4⅝%	*Bank Bills*	
7 days	3¼–4⅜%	2 months	4 13/16–4⅞%
Fine Trade Bills		3 months	4 13/16–4⅞%
3 months	5¾–6¼%	4 months	4 13/16–4⅞%
4 months	5¾–6¼%	6 months	4⅞–4 15/16%
6 months	6–7%		

Foreign Exchanges

New York	2·78 17/32	Frankfurt	11·07¼
Montreal	3·00¼	Milan	1740⅜
Amsterdam	10·06 11/16	Oslo	19·95¼
Brussels	138·59½	Paris	13·65
Copenhagen	19·30⅜	Zürich	12·03 5/16

Gilt-edged

Consols 4%	64¼	Funding 3% 59–69	89 25/32
Consols 2½%	41⅞	Savings 3% 60–70	86 11/16
Conversion 6% 1972	102¾	Savings 3% 65–75	77⅞
Conversion 5¼% 1974	98	Savings 2½% 64–67	92⅜
Conversion 5% 1971	97⅛	Treas' 5½% 2008–12	89 13/16
Conversion 3½% 1969	91 11/32	Treasury 5% 86–89	88 5/16
Conversion 3½%	56¼xd	Treasury 3½% 77–80	76 15/16
Funding 5½% 82–84	95 9/16	Treasury 3½% 79–81	75¾
Funding 4% 60–90	93⅞	Treasury 2½%	40⅞
Funding 3½% 99–04	64¼	Victory 4%	98
Funding 3% 66–68	90¾	War Loan 3½%	57¼

Electronics in the Office

Computer for Scottish Stock Exchange

THE Scottish Stock Exchange Association is to handle centralized stock clearing and settlement by computer. The machine, a National-Elliott 803, installed recently at the Glasgow Stock Exchange, is linked by teleprinter to the Aberdeen, Dundee and Edinburgh Stock Exchanges.

The computer will enable the increased flow of investment business resulting from the merger of the four exchanges last January to be handled with greater speed and accuracy. It is also expected to reduce work in the stockbrokers' offices, and member firms' operating costs, while providing increased statistical information.

At the close of each day's trading, details of all transactions are punched into paper tape on NCR Input Preparation Units. Transaction data is then recorded on the computer's magnetic film files. The computer will print daily individual check-lists for brokers, and will summarize business done. For each account period, the 803 will produce settlement summaries to show for each broker the new balances of stocks to be taken up or delivered, and a cash statement of each broker's settlement account.

At a later stage it is planned to extend the work of the computer to cover the centralized delivery and centralized accounting of all stocks dealt in, enabling further reductions to be made in the clerical work of the Association.

New Programming Technique

A NEW programming technique claimed to cut by at least 50 per cent the time and cost of putting business work on to an electronic computer has been developed by The National Cash Register Co Ltd. Known as BEST – Business EDP Systems Technique – it eliminates conventional programming by using the computer to 'generate' the many thousands of individually coded machine instructions that usually have to be compiled by hand. In one case, a series of five programs that would have occupied an experienced programmer for one year were completed by the new system in six weeks.

The new technique closes the gap between the design of a system flowchart and the production of a fully tested computer program. For the first time, therefore, the systems designer is placed in direct control of the work performed by the machine. Because complete sections of program are 'generated' automatically, they are free from coding errors. This almost wholly eliminates the time normally spent in testing and 'debugging' programs.

The systems designer prepares a flowchart based on standard BEST functions such as 'sort' and 'collate'. He then specifies the requirements of each function by filling in a special questionnaire. This information is then fed into the computer which, under the control of the master program, converts the job requirements into machine instructions.

As a result of over three years' development work, it is claimed that this new method of programming has already proved itself in American NCR computing centres. For example, one person wrote eleven BEST programs in five days. Another wrote three programs in half a day each. In both cases, the programs were successfuly run within twenty-four hours.

At present, BEST is available for use only with the NCR 315 computer. Later it will be applied to other machines in the company's range of computers.

Bank to Install High Speed Data Link

THE Clydesdale Bank is to install a network of high speed data links to connect six of its principal offices in London and Scotland directly to a central computer system over the Post Office telephone network. Information on daily transactions by branches, such as deposits and withdrawals by account holders, will be prepared on paper tape as a by-product of the normal keyboard accounting machines in use by the bank. This tape will then be fed into a G.E.C. Electronics data link system for transmission to the central computer, where it will be used to bring the central records up to date. To transmit the information the operator at the branch office will need only to make a normal telephone call to the central computer, and then close a switch to send the information automatically over the telephone line.

In a matter of minutes, the system will transmit information in many thousands of words to a computer at the cost of a normal telephone call, enabling the bank to bring up to date its customers' accounts at the close of each day.

Initially, a pilot system will connect the bank's head office in Glasgow with a hired computer in Dundee. Later the system will be extended to link offices in London and the principal Scottish cities with an NCR 315 compute_ to be installed at the bank's head office in Glasgow and due for commissioning early next year.

New E.D.P. System

A NEW computer system and a series of new peripheral units has been introduced by Honeywell Controls Ltd. Known as the Honeywell 2200, it is claimed to be a moderate-cost, high-performance system with approximately twice the processing power of the company's recently-introduced 200 computer.

The peripheral devices include a newly-developed card reader, a high-speed unit and nineteen different communications units. The system possesses many of the features of the company's 200 computer with which it is completely programme compatible.

It has an internal speed of one microsecond (millionth of a second) for a complete memory cycle and its memory unit ranges in size from 16,000 to 131,000 characters. In addition, it possesses a second memory, which is both a control memory to select and interpret instructions, and a 'scratchpad' memory to simplify operator control of the system.

Vehicle Scheduling by Computer

AFTER discussion with over fifty fleet operators, IBM United Kingdom Ltd have produced a computer programme designed to minimize fleet mileage and improve allocations of loads to vehicles.

The programme can deal with as many as 4,000 deliveries per schedule, to a maximum of 1,000 delivery 'zones', using an unlimited number of vehicles of up to fifteen different types/capacities. Moreover, schedules can be processed overnight when required.

A seminar on the subject will be held at the IBM Education Centre, Lodge Road, NW1, on September 15th. Inquiries should be addressed to Mr J. M. Henley at the IBM Data Centre, Newman Street, London W1.

Computer Courses

A COURSE in two parts which will have as its theme 'Electronic computing systems' is to be held at the Sir John Cass College, Jewry Street, Aldgate, London EC3, commencing on October 14th. Two lectures will be given each evening, the first from 6.15 p.m. to 7.15 p.m. and the second from 7.30 p.m. to 8.30 p.m.

The course is intended for executives and others interested in the commercial applications of electronic computers. No prior technical knowledge will be assumed. The first part of the course will consist of twelve lectures on 'The construction and operation of electronic digital computing systems designed for commercial purposes' and will give an appreciation of the operation and programming of computers in general. Part II of the course, which will begin on January 20th, 1965, will comprise twelve lectures on 'Some commercial applications of electronic digital computing systems'.

Applications to attend the course should be made to the Secretary of the College, prior to the opening date of the course.

Evening and Residential Computer Courses

A SERIES of nine electronic data processing courses which commence this month and extend well into next year have been arranged by International Computers and Tabulators Ltd, at the company's training establishments at 88 High Holborn, London WC1, 'The Grange', Cookham, Berks, and Bradenham Manor, High Wycombe, Bucks.

Subjects covered, which range from evening classes to full-time residential terms lasting up to sixteen weeks, include 'Computer programming'; 'Punch operating'; 'The principles and practice of systems analysis'; 'Electronic data processing management' and 'General principles of computer programming'.

Further information regarding the courses is obtainable from Miss D. Law, International Computers and Tabulators Ltd, 85–91 Upper Richmond Road, London SW15.

Computer to Handle Bank's Overseas Business

AN electronic computer installed recently at the Midland Bank's overseas branch in Gracechurch Street, London, is claimed to be the first purchased by a United Kingdom bank solely to handle its foreign business.

Whilst a number of banks are already using computers for domestic business, notably current accounts processing and cheque clearing, a greater complexity arises in the case of overseas banking due to the necessity to keep all ledgers in both sterling and the appropriate decimal currency, and also, of course, the 'customers' are themselves for the most part banks rather than individuals or companies.

The new installation, based on an NCR 315 computer, includes a large number of accounting machines with built-in typewriters which, wired to automatic paper tape punches, will enable alphanumeric data to be punched into paper tape for computer processing as a wholly automatic by-product of normal bank record-keeping.

Another feature of the installation will be the computer's ability to recognize accounts by name, automatically reconciling variations in the local and English spellings of names such as Brussels, Leghorn, or Copenhagen. In all, the system will eventually be carrying out about seven different applications, including account processing, foreign bills for collection, documentary credits, inland bills, travellers' cheques accounting, and foreign exchange dealings.

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Martin *v.* Routh

In the High Court of Justice (Chancery Division)
July 16th, 1964
(Before Mr Justice UNGOED-THOMAS)

Income tax – Furnished lettings – Flats – Payments for up to fifty-five years – Progressive transference of ownership – Whether rent or instalments of price – Income Tax Act, 1952, section 175.

The appellant made agreements with other persons whereby he agreed to sell, and the occupier agreed to buy a flat, and the purchase price was to be paid in a large number of monthly instalments. The transaction was stated not to be a hire-purchase agreement. There was to be 'a progressive and definite step-by-step change of ownership, each single payment representing the purchase by the buyer of a definite fraction of the flat'. The transference of ownership was to take place progressively, and ownership was to pass entirely from the seller to the buyer when the last payment was made. The buyer was allowed to use the whole of the flat as long as he continued to make his payments. If any instalment was in arrear for a specified period, the appellant could re-enter, and the ownership of the flat would revert to him. That was also to be the result if during the currency of the payment of the instalments the buyer vacated the flat.

Excess rent assessments were made on the appellant on the footing that the instalment payments were rent. On appeal he contended that they were instal-

ments of purchase prices of flats. The General Commissioners decided in favour of the respondent.

Held: the General Commissioners' decision was correct.

Commissioners of Inland Revenue *v.* Coathew Investments Limited

In the High Court of Justice (Chancery Division) – July 10th, 1964

(Before Mr Justice UNGOED-THOMAS)

Surtax – Undistributed income of company – Investment company – Sum paid to charity – Whether deductible – Income Tax Act, 1952, sections 2, 245, 256, 257, 262, 397, 398, 411, 415, 524, Schedule 24.

The respondent controlled an investment company within Chapter III of Part IX of the Income Tax Act, 1952, which covenanted with a charity that for seven years it would pay £1,450 a year less income tax. The company paid that amount to the charity from 1955–56 to 1959–60, and claimed to be entitled to deduct the same amount in computing its income for the purposes of that Chapter.

It was contended for the appellants that section 415 of the Act, which treated such a sum for surtax purposes as the income of the settlor, and which applied to an individual, did not apply to a company, so that section 262 (2) was also inapplicable.

The Special Commissioners decided in favour of the respondent.

Held: the sums in question were not deductible.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Director's Loan

SIR, – The following circumstances leave me in some doubt as to whether they constitute a breach of section 197 (1) (*b*) of the Companies Act, 1948, or merely an infringement of the spirit of the Act; I should, therefore, be interested in the views of other readers.

X., the managing director of two companies under common control, A. and B., owes B. (the smaller company) £5,000 on loan, this loan not having been made in the ordinary course of business. A.'s accounts are prepared at March 31st, B.'s at April 30th. For several legitimate reasons, it is decided that the loan due by X. should be transferred to the books of A., and this is simply done by adjustment through inter-company current accounts; B. thus debits A. and closes off the loan, while A. opens a loan account and credits B.

These entries are, however, made at April 30th so that for that year the loan is disclosed in the accounts of neither A. nor B. Can a valid objection, under section 197, be raised to the insistence of X. that the transfer should be dated April 30th, though it is perfectly possible to chose some other date, for instance March 31st? Incidentally, the accounts are not consolidated.

Yours faithfully,
PUNCTILIOUS.

Back Duty Inquiries

SIR, – I am increasingly disturbed by what appears to me to be objectionable procedure met with in connection with these back duty inquiries. I have before me notes of an interview which commence, as customary, with the statement that the White Paper – which deals with criminal proceedings in connection with fraud or wilful default – was read by the inspector to the taxpayer, followed by one that this 'did not imply that the speaker was making any allegation of fraud or wilful default'. Assessments had previously been raised, containing a statement that they should be regarded as covered by the Income Tax Act, 1952, section 47, being otherwise out-of-time – itself, in effect, just such an allegation.

To the unsophisticated it would surely seem that the taxpayer ought to be told in no uncertain terms that the Revenue propose to deal with a case on fraud, etc., lines on the facts known to them, or that such is not the case. To make damaging insinuations in one breath and to deny that one is doing any such thing with the next appears to one observer to be highly objectionable and dishonest. Other readers' opinions and comments would be appreciated.

Yours faithfully,
Leicester. CECIL A. NEWPORT.

Unclaimed Winnings

SIR, – It appears that in the case of betting shops there are often punters who do not collect their winnings; these are usually small amounts individually but can in total amount to several hundred pounds per annum.

I should be interested to know if there are readers who have considered this matter from a taxation point of view – should the unclaimed winnings be debited and treated as a liability of the business or should they be ignored? If the former, for how long could the liability be justified?

Yours faithfully,
REKOC.

New Legislation

All new Acts will be noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent.

STATUTES

Chapter 49: Finance Act, 1964

An Act to grant certain duties, to alter other duties, and to amend the law relating to the National Debt and the Public Revenue, and to make further provision in connection with Finance.

Price 3s net. *July 16th, 1964.*

Chapter 50: Tenancy of Shops (Scotland) Act, 1964

An Act to continue (with amendment) the Tenancy of Shops (Scotland) Act, 1949.

Price 3d net. *July 16th, 1964.*

Chapter 51: Universities and College Estates Act, 1964

An Act to amend the law relating to property held by or on behalf of universities and colleges, and for purposes connected therewith.

Price 1s net. *July 16th, 1964.*

Chapter 52: Films Act, 1964

An Act to amend the Films Act, 1960, in its application to newsreels.

Price 3d net. *July 16th, 1964.*

Chapter 53: Hire-purchase Act, 1964

An Act to amend the law relating to hire-purchase and credit-sale, and, in relation thereto, to amend the enactments relating to the sale of goods; to make provision with respect to dispositions of motor vehicles which have been let or agreed to be sold by way of hire-purchase or conditional sale; to amend the Advertisements (Hire-purchase) Act, 1957; and for purposes connected with the matters aforesaid.

Price 4s 6d net. *July 16th, 1964.*

Chapter 54: British Nationality (No. 2) Act, 1964

An Act to provide for the acquisition of citizenship of the United Kingdom and Colonies by certain classes of persons who would otherwise be stateless; to restrict the grounds on which persons may be deprived of such citizenship where deprivation would render them stateless; to repeal section 20 (4) and section 21 of the British Nationality Act, 1948; and to extend the powers exercisable under that Act with respect to British protected persons.

Price 8d net. *July 16th, 1964.*

Chapter 55: Perpetuities and Accumulations Act, 1964

An Act to modify the law of England and Wales relating to the avoidance of future interests in property on grounds of remoteness and governing accumulations of income from property.

Price 1s net. *July 16th, 1964.*

Chapter 56: Housing Act, 1964

An Act to set up a new body to assist housing societies to provide housing accommodation, to confer powers and duties on local authorities to compel the carrying out of works for the improvement of dwellings which are without all or any of the standard amenities, to amend the law relating to the giving of financial assistance for the improvement of housing accommodation, to make further provision as to the powers and duties of local authorities as respects houses let in lodgings or occupied by more than one family, to amend the provisions of the Clean Air Act, 1956, relating to the making of contributions to expenditure incurred in the adaptation of fireplaces in private dwellings, and to amend in other respects the law relating to housing.

Price 8s 6d net. *July 16th, 1964*

Chapter 57: Adoption Act, 1964

An Act to provide for effect to be given to certain adoption orders made outside Great Britain; to facilitate the proof of adoption orders in different parts of the United Kingdom; and for connected purposes.

Price 5d net. *July 16th, 1964*

Chapter 58: Resale Prices Act, 1964

An Act to restrict the maintenance by contractual and other means of minimum resale prices in respect of goods supplied for resale in the United Kingdom; and for purposes connected therewith.

Price 1s 3d net. *July 16th, 1964*

Chapter 59: Protection of Birds Act, 1954 (Amendment) Act, 1964

An Act to provide that section 10 of the Protection of Birds Act, 1954, shall no longer extend to Northern Ireland except so far as it relates to importation of birds or their eggs.

Price 3d net. *July 16th, 1964*

Chapter 60: Emergency Laws (Re-enactments and Repeals) Act, 1964

An Act to repeal the remaining Defence Regulations (that is to say those set out in the Emergency Laws (Repeal) Act, 1959), except the Defence (Armed Forces) Regulations, 1939, and to re-enact certain of those Defence Regulations with modifications; and to continue for limited periods the Ships and Aircraft (Transfer Restriction) Act, 1939, and certain powers of the Board of Trade relating to jute products.

Price 1s 3d net. *July 16th, 1964*

Chapter 61: Animals (Restriction of Importation) Act, 1964

An Act to restrict the importation of live animals of certain kinds.

Price 8d net. *July 16th, 1964*

Notes and Notices

PROFESSIONAL NOTICES

MESSRS AGAR, BATES, NEAL & Co and MESSRS AGAR, BATES, NEAL, KING & Co, Chartered Accountants, of Birmingham, announce that Mr F. I. EDWARDS, F.C.A. has retired from the partnerships, but is available as a consultant.

MESSRS BEAL, YOUNG & BOOTH, Chartered Accountants, of 9 Cumberland Place, Southampton, announce that Mr GORDON ERNEST MEAD, F.C.A., and Mr TERENCE ALAN HAGUE, A.C.A., were admitted into partnership on August 1st, 1964, the name of the firm remaining unchanged.

Mr M. FELTON, D.F.C., F.C.A., of 112 Wembley Park Drive, Wembley, Middlesex, announces that he will be joined in partnership on September 1st, by Mr M. E. PALMER, A.C.A., of 31 The Vale, London NW11.

MR SHEIKH IDRIS IBRAHIM, A.A.C.C.A., announces that he has taken into partnership Mr ABBAS MOHAMED ABDEL LATIF, A.A.C.C.A. The new firm will practise under the style of MESSRS SHEIKH, ABBAS & Co, Certified Accountants, P.O. Box 1608, Khartoum.

MESSRS KEMP, CHATTERIS & Co, Chartered Accountants, in association with MESSRS TOUCHE, ROSS, BAILEY & SMART, Chartered Accountants, announce that Mr P. G. ELY, A.C.A., and Mr M. L. G. LOUMEAU, A.C.A., have been appointed resident partners at their Mauritius office.

MESSRS PANNELL FITZPATRICK GRAHAM & CREWDSON Chartered Accountants, announce that Mr BENJAMIN ENOS, Incorporated Accountant member of The Institute of Chartered Accountants in England and Wales and Chartered Accountant member of the Institute of Chartered Accountants of Ghana, has been admitted to partnership in their Ghana firm.

MESSRS B. SUGDEN & Co, Chartered Accountants, announce that their address is now 63 Athol Street, Douglas, Isle of Man. Telephone Douglas 109 and 1963.

MESSRS G. W. TOWNEND & Co, Chartered Accountants, of Carlisle Chambers, Goole, announce the retirement of Mr C. R. TOWNEND, F.C.A., who has been a partner in the firm for fifty years, and was President of the Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants in 1934–35 and 1935–36. The practice will continue to be carried on under the same style by the remaining partners.

Appointments

Mr F. J. Bode, F.A.C.C.A., secretary of Sir Thomas and Arthur Wardle Ltd, has been appointed to the board of the Company.

Mr P. B. Higgins, F.C.A., has been appointed chairman of Jonas Woodhead & Sons Ltd, to succeed Mr Michael Moore, F.C.A., who has relinquished the office.

Mr Campbell Hopwood, F.C.A., has been appointed financial controller and secretary of The Dental Manufacturing Co Ltd.

Mr H. D. Leete, F.C.A., has been appointed to the board of Park Cake Bakeries Ltd and has succeeded Mr K. L. Watson as chairman of the company.

OBITUARY

E. T. Coulson, F.C.A.

We have learned with regret of the death of Mr E. T. Coulson, F.C.A., formerly senior partner in the firm of Robinson, Coulson & Co, Chartered Accountants, of Scarborough.

Mr Coulson, who retired from practice in 1956, was admitted to membership of The Institute of Chartered Accountants in England and Wales in 1910. He became the first chairman of the Scarborough Group of The Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants on its formation in 1953.

A founder member of the Scarborough Rotary Club, Mr Coulson served as its treasurer for a number of years, later becoming honorary auditor, a post he held up to the time of his death.

THE DUBLIN SOCIETY OF CHARTERED ACCOUNTANTS

New Chairman

Mr R. Ian Morrison, F.C.A., a partner in the firm of Peterson, Morrison & Co, Chartered Accountants, of Dublin, was elected Chairman of The Dublin Society of Chartered Accountants at the Society's recent annual general meeting.

Mr R. Ian Morrison

Admitted to membership of The Institute of Chartered Accountants in Ireland in 1958, Mr Morrison gained first place and the John Mackie Memorial Prize in the Intermediate examination and first place and the Arthur H. Muir Memorial Prize in the Final examination.

In 1962 he was appointed a director of the Bank of Ireland and was appointed deputy governor in 1964. Mr Morrison is also a

director of the National City Bank Ltd and a number of companies.

Other officers of the Society elected for the ensuing year are as follows:

Vice-Chairman: Mr F. C. W. Winkelmann, M.A., A.C.A.

Hon. Secretary: Mr W. Bruce Lyster, A.C.A., 7 Fitzwilliam Place, Dublin 2.

Hon. Treasurer: Mr D. P. Flinn, F.C.A.

INTERFIRM COMPARISONS IN THE COTTON INDUSTRY

The Cotton Board Productivity Centre, which has already successfully introduced interfirm comparison schemes based on financial ratios, is now introducing a scheme of cost comparisons for the weaving section of the cotton and man-made fibres industry.

The scheme has been developed in collaboration with the United Kingdom Textile Manufacturers' Association and enables participants to compare total budget costs for each of twenty-four loom types. The scheme also includes cost comparisons for warp preparation and cloth inspection. It provides information which firms can use to compare not only total costs but to identify the strong and weak points in their performance.

A pilot scheme has been in operation for some time and the benefits to the group of firms which have been taking part justify the extension of the scheme to the whole of the weaving section of the industry. The scheme operates under conditions of complete secrecy and anonymity. Participating firms will be allocated a code number which will be known only to the staff directly connected with the scheme.

One-day seminars to explain the scheme will be held in Glasgow (September 2nd), Blackburn (September 8th); Bradford (September 9th), Nelson (September 10th), Rochdale (September 16th), and Bolton (September 17th).

Further details of the interfirm comparison scheme are available from The Cotton Board, Royal Exchange, Manchester 20.

CONTRACTS OF EMPLOYMENT

In the article entitled 'Contracts of Employment' in the issue of July 11th last, the fifth paragraph should have commenced 'Not *later* than thirteen weeks from the beginning of a term of employment . . .' and not 'Not *less* than thirteen weeks' as was stated.

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

RESULTS OF EXAMINATIONS HELD IN JUNE 1964

FINAL EXAMINATION

SECTION I

(in order of merit)

First Place and Prize: Glass, A. G., Gravesend
Second Place: Morgan, A. P., Walsall
Third Place: Bradbery, I. R., Farnborough, Hants
Fourth Place: Grimes, M. D., Stamford

(in alphabetical order)

Adesanya, M. A., London
Adeyeni, G. O. R., London
Alalade, E. O., London
Alldread, D., Langley, Derbyshire
Allen, J. R., Bolton
Allen, S. H., Belfast
Amoo, S. O., Cheltenham
Andoh, S. W. K., Walsall
Anom, D. O., London
Antony, Mrs. G., London
Appiah-Dankwa, T., Glasgow
Armstrong, P., West Drayton
Asbury, D., Wolverhampton
Ashitey, J. A., London
Ashpole, A. J., Irthlingborough
Awojoodu, C. O. O., Leeds
Awosika, V. O., London

Baia Adriano, D., London
Baker, M. W., Southall
Banks, J., Willenhall
Barker, G., Newcastle upon Tyne
Beal, C., Sheffield
Beckett, F. A., Norwich
Benzikie, P., London
Beresford, A. G., Middleton
Bevan, J. G., Swansea
Bicknell, R. A., Weymouth
Bird, A. C., London
Bird, D. P., Addlestone
Bladon, C. F. O., East Barnet
Bland, P. F., Worksop
Bonsu, M. A., London
Braganza, M. A., London
Breden, R. S., Baldock
Bridge, J. E., West Bromwich
Broge, D. E., Leeds
Brown, J. E., Walsall
Bruce, C. T., Birstall, Leicester
Bubb, S. E. C., Stanmore
Bumpsteed, D. A., Brentwood
Burry, A. T., Rainham
Butcher, R. G., Sheffield

Calvert, R. G., Worthing
Catley, G. J., London
Chadwick, L., Almondbury, Huddersfield
Chandler, A. K., Potters Bar
Charles, R. L., London
Chatterjee, B., London
Coffey, J. J., Dublin
Cole, B. K., Enfield
Condron, N., Ellesmere Port
Connors, W. F., Bexley Heath
Coombes, F. R., Pinner

Dahman, D. A., Southsea
Dangerfield, D. C., Edinburgh
D'arcy, M. J., Thurles, Co Tipperary
Davies, G. H., Bristol
Deeley, W. G., Chatham
Dennis, A., Ashford
Dixon, N., Liverpool

Dodwell, J. A., Cheltenham
Doshi, K. M., London
Dowding, A. R., Bristol
Downing, D. T. L., Bungay
Duncan, K. S., Glenrothes

Eaton, G., Liverpool
Edwards, J. A., Wigan
Everton, M. R., York

Fatunnke, B. B. A., Leeds
Fazel, A. K., London
Findjan, R. L., Farnham
Fisher, W. J. C., Salford
Fitzpatrick, G. J., Musselburgh
Fletcher, D. R., Colchester
Fong, B. B., London
Forrester, J. D. M., Glasgow
Forson, J. K., Leeds
Forsyth, C. T., Glenageary, Co Dublin
Francke, F. M., Plymouth
Freeth, G. R., Birmingham
Frohlich, P., Kenton
Futers, J., Gateshead

Gardner, K. J., South Croydon
Garlick, R. V., Marple
Gbajumo, W. O., Wednesbury
Gill, D. W., Sutton, Surrey
Glynn, L. C., Ballymena
Godin, R. K., Surbiton
Gokani, K. R., London
Goode, G. H., Birmingham
Goodhead, A. M., Burton-on-Trent
Grant, J., Leeds
Green, C. M., Oswestry
Green, P. S., Doncaster
Gupta, T. L., Newcastle upon Tyne

Hardwick, J. R., Sale
Hardy, D., London
Harvey, M. G., Leeds
Head, Mrs, B. I., Birmingham
Henshaw, S. I., London
Hession, J., Letchworth
Hewkin, P. G., Mansfield
Hibbert, D. A., West Croydon
Hingorani, Miss A., London
Holmes, J. P., Sheffield
Hope, J. E., Peterborough
Hopkins, W., Rhondda
Hughes, Miss W., London
Hunter, J., London

Ikiriko, N. K., Leeds
Illingworth, J. R., Tadcaster
Ineson, J., Leeds

Jackson, P. E., Thundersley
Jefferson, K. H., Warwick
Jimmie-Artivor, D., London
Jones, N., Ipswich
Joseph, R. N., Leeds

Keenan, T. N. F., West Drayton
Kemp, L. V., Redhill
King, J., Glasgow
Kneebone, W. D., Penryn
Knott, B. A., Reading

Langham, T. T., Watnall, Nottingham
Larter, R. W., Willerby, Hull
Lawley, S., Wombourne
Lawrence, B., Dover
Lee, C., North Harrow
Leeks, R. C. F., Guildford
Leonard, D. N., Dublin
Lewis, R. L., Birmingham
Linton, G. E., Stevenage
Lowe, G. J. C., Glencarse
Lynch, J. N., London

McCarthy, F. F., London
McGavin, J., Milton-of-Campsie
McKay, J. B., Glasgow
McNamara, R. L., Barking
McRonald, M. R., Birkenhead
MacDonald, A., Derby
Macleod, N. C., Bridge-of-Weir
Mallett, G. W., Withernsea
Manners, E., Newcastle upon Tyne
Maridadi, A. S., Glasgow
Markham, R. W., Birmingham
March, S. W. P., Plymouth
Marsh, Miss P. M., London
Marshall, W. H., London
Maseke, E., London
Mason, B. H., East Molesey
Mason, F. E., Hanworth
Meeson, A. E., Hatfield
Mitchell, P. J., London
Mitchell, R. G., Buckhurst Hill
Mitchell, S. N., Swansea
Monaghan, R. G., Croydon
Moody, D. J. B., London
Moody, G. H., Redcar
Mordi, G. N., Leeds
Morgan, G., Ashton-under-Lyne
Morgan, R. L., Birstall, Leicester
Moss, K. W., Swinton
Myers, C. L., Leeds

Ndefo, W. A., Southampton
Njie, J. G. J., London
Norton, K. C., Shewsbury
Nwosa, E. E., London

O'Donoghue, J. J., Blackrock
O'Hea, M. V., London
Ofosu-Osei, F., Leeds
Ogu, O. C., Birmingham
Ogwuma, P. P. A., London
Omisola, M. O., London
Oni, W. B., Leeds
Opeewe, S. A., London
Ormsby, B., Newcastle upon Tyne
Osei, T. A., London
Oshin, A. B., London
Osunkeye, O., Wednesbury
Otoo, S. K., London

Patel, B. P., London
Patel, V. S., London
Pearman, V. C., Harlow
Perkins, C. G. L., London
Perkins, M. W., West Bromwich
Perry, C. M. C., Gloucester
Petrie, E. R., Aberdeen
Pine, M. R., London
Pollington, D., Staines
Popple, W., Beverley
Poulter, B. H., Dundonald, Co Down
Powell, D. J., Burton-on-Trent
Pratt, B. G., Castle Bromwich
Pryor, A., Sheffield
Purcell, P., London
Pyman, Miss J. I., Shenfield

Rabone, D. T., Wolverhampton
Rahaman, K. K., London
Regan, B. W., Newton Aycliffe
Relf, C. C., Gravesend
Richards, E. J., Liverpool
Richter, W. H. E. H., Camberley
Robson, C. C., Whitley Bay
Rock, L. B., Wickford
Rone-Orugboh, A., London
Rosen, M., Hove
Rudolf, A., London
Ryan, D. F., London

Sadler, W. G., Chigwell
Sales, R. W., Bath
Sands, R. W., London
Sarpong, J. K., London
Scott, J. O., Dundee
Shah, B. J., London
Shah, R. M., Thornton Heath
Sheridan, M. P., Elm Park, Essex
Shortt, T., Saffron Walden
Shuttleworth, J. A., Ashtead
Simmons, M. A., London
Skinner, P. A., Ashford, Kent
Smith, B. A. A., Colchester
Smith, D. C., Birmingham
Smith, R. W., Bromley
Somji, A. I. J., London
Sowerby, T. R., Manchester
Speyer, K. D., Ruislip
Stacey, W., Stanley, Co Durham
Staines, S. M., Crawley Down
Stonell, J., Rickmansworth
Summer, T. C., Birmingham

Talbot, P. J., Dublin
Thompson, A. F. A., London
Thompson, A. E., Londonderry
Thompson, P. E. G., West Harrow
Thornhill, J. W., London
Tidy, J. W., Rhondda
Tierney, W. J., Greenford
Trewavas, J., London
Turnock, C. J., Liverpool

Ude, D. A., Leeds
Uke Mbonu, U., London
Ukpong, M. T., Leeds
Urquhart, J. K. C., Glasgow
Ursell-Smith, G., Malvern

Vertannes, J. G., Sutton, Surrey

Wadeson, G. M., Huddersfield
Wall, T. D., Brewood, Staffs
Walsh, H. A., Kippax, Leeds
Walsh, J. J., Welwyn Garden City
Ward, A., Nottingham
Waring, B. L., Solihull
Weir, J. C., Corsham
Weissbart, H. I., Salford
Wells, P., Hornchurch
White, P. J., Brill, Bucks
White, R. K., Reading
Whitehead, T., Castleford
Williams, A. H. G., Byfleet
Williams, D. G., Tonypandy
Woodhouse, A. A., Poynton, Ches.
Wright, P., Grimsby

439 Candidates failed

FINAL EXAMINATION

SECTION II

(in order of merit)

First Place: Walsh, K. J. F., London
Second Place: Hennessey, E. R. J., Watford
Third Place: Gee, A., Accrington
Fourth Place: Roalfe, E. T., London
Fifth Place: Boon, R., London
Sixth Place: Bridgewood, E. J., Walsall
Seventh Place: Edey, D. J., Wembley

(in alphabetical order)

Adoe, J. E. K., London
Ajeigbe, C. A., Cardiff
Akindolire, C. O., Leeds
Anderson, K. R., Shepperton
Anderson, K. W., Withernsea
Ayimadu, D. D., London
Ayoola, J. O., London

Bayliss, G., London
Belo, M. A., London
Bennison, K. W., London
Bird, W. A., Nottingham
Bond, P., Hayle
Brannan, J., Cookham
Bremner, J. W., Forfar
Brown, F. W. E., Marlow
Bushnell, F. P., London
Byrne, H. J., Dublin

Carroll, D. P., Dagenham
Captain, S. F., Epping
Chudley, K., Newton Abbot
Clift, R. K., Wolverhampton
Cockcroft, E., Surbiton
Coles, M. A., St Albans
Collins, F. S., Birmingham
Condon, J. S., London
Cotton, R. H., Enfield

Davies, H., Swansea
Davies, J. G. P., Swansea
Davies, T. J., Walsall
Davies, D. J., Belvedere
Dean-Maharaj, V. R., Glasgow
Dennett, P. S., Rainham
Dodd, H. J. W., Willenhall
Donaghy, B. C., Putson, Hereford
Donachy, J., Sunderland
Dyas, A. R. J., Southall

Elekolusi, J. O., London
Enock, M. P., Walton-on-Thames

Fallon, P. E., London
Ferguson, R. J., Chalfont St Peters
Finke, M., London
Fitzsimons, P. G., London
Fleming, J. B., Bangor, N. Ireland
Fok, T. C. G., Edinburgh
Franklin, M., Ilford
Fraser, R. C., Handforth

Gardner, R. M., London
Gates, R. S., North Harrow
Gbadamosi, L. A., Leeds
Geary, Miss B. E., Hounslow
Ghanem, H., London
Gill, Miss M., Hillingdon
Gorham, T., Crieff
Grant, B. D., London
Gray, C. W., Leeds
Green, R., Wolverhampton

Hammond, T. R., Wickford
Hanson-Sam, W., Birmingham
Hasnudeen, E. E., London
Hawes, J. R. G., Rickmansworth
Hern, R. J., Newbury
Hodge, D. E. R., Dorchester
Hope, C., Great Shelford, Cambridge
Horsler, N. J., Luton
Hulme, C. G., Basingstoke

Idris, U., Glasgow
Ihuoma, P. O., London

Jobson, K. L., Maidenhead
Johnson, L. P., Leeds
Jones, A. M., Tettenhall, Staffs

Kenneally, J. P., Eton Wick, Windsor
Kio, S. O. M., Leeds
Kirkham, E. J., North Ferriby

Lam, Y. Y., London
Lambeth, P. A., Ewell
Lamikanra, J. C. A., Ibadan
Lefevre, G. E. G., Walton-on-Thames
Lux, D. L., London

McDermott, F., Crewe
McDonough, L., Dagenham
McNamee, J., Coatbridge
Marcano, H. S., Leeds
Martin, G. D., Richmond, Surrey
Martin, J., Newcastle upon Tyne
Mather, M. C., London
Maund, J. R., Pelsall, Walsall
Mawditt, R. M., Brighton
Meeds, B. E., Coventry
Melia, K., Slough
Merriman, C. P., Cheltenham
Mohammed, A. M., London
Morrissey, W. J., Greystones, Co Wicklow
Morton, A. R., St Leonards-on-Sea

Neale, P. G., Worcester Park
Noble, T. J. P., London
Norburn, W. J., Sevenoaks
Nwangwu, A. O., London

O'Donnell, D., Dublin
O'Kelly, A. N., London
Ogunbajo, H. O., Leeds
Oni, O. O., Leeds
Opoku-Agyeman, A. E., London

Payne, L. J., Winterbourne, Bristol
Peacock, W. C., Farnborough, Hants
Peters, J. A., Brighton
Pickett, J. L., Crediton
Pidgeon, J. F. L., Wembley
Prodromou, M., London

Rees, C. D., Davyhulme, Manchester
Rees, N. R., Harrow
Retzlaff, D. T., W. Molesey
Roberts, E. K., Baldock
Robinson, G. J., Polegate
Roots, J. D. D., London
Rowatt, J. B. M., Hamilton
Rowntree, D., Cheshunt

Shimmin, E. H., Hildenborough, Kent
Smith, B. E., Newcastle upon Tyne
Sole, T. W., London
Sole, W. G., Romford
Solomon, M., London
Squire, A. G., London
Squires, J. F., Stanmore
Stebbings, G. T., Headington, Oxford
Steeds, R. H., Plymstock
Stent, G. T., London
Stylianou, C., London

Tate, R. W., York
Thompson, B., Manchester
Thorneycroft, G. C., Newport, Mon.
Turner, D. B., Liphook

Underhill, V. J. A., Woking

Wakefield, D. C., Maidenhead
Wall, D. C., Harwell
Warren, K., Tunstall, Stoke-on-Trent
Weeks, D. W., Horndean, Portsmouth
Wheatstone, R. W., Swansea
Whittaker, A. T., London
Williams, W. L., Chelmsford
Wright, R. M., London

Yorston, R., Humberston, Grimsby

269 Candidates failed

Summary of Results

Candidates	Preliminary	Intermediate Section I	Intermediate Section I Completing Old Syllabus	Intermediate Section II	Intermediate Section II Completing Old Syllabus	Final Section I	Final Section II	Total
Passed with Honours ..	—	6	3	3	4	4	7	27
Passed	109	627	43	199	419	260	141	1,798
Failed	77	832	18	245	449	439	269	2,329
Total sat	186	1,465	64	447	872	703	417	4,154

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE
ACCOUNTANT

ESTABLISHED 1874

SEPTEMBER 5TH, 1964 VOL. CLI. NO. 4681

CONTENTS

More Power for the Profession?

THE management of every limited company is a debtor to three distinct sections of the community – those who supply the company with goods and services, those to whom the company sells its products and the company's shareholders. In the case of quoted public companies, there is a fourth section – the investing public. The extent of this indebtedness reaches far beyond the letter of the existing law and it can be honoured by management in many ways – by scrupulous fairness in all its dealings, by good workmanship and reliable products, by honesty in advertising and by the regular presentation of straightforward, accurate and immediate information about its financial standing.

It is with this last obligation that accountants as auditors and advisers are particularly concerned. The services they render may vary from a letter to the client after each audit pointing out weaknesses or possible improvements in the records kept, to a full-scale investigation of the entire accounting system. As time goes on, the degree of help demanded of the practising accountant becomes more comprehensive. It is for this reason, and because of the threat of competition from rivals who have gone to the expense and trouble of keeping abreast of modern developments, that many firms of practising accountants have had to establish specialist management services departments.

The cardinal principle which the experts who so admirably run these departments observe is that the client company's senior management must have constantly at its command what we described above as straightforward, accurate and immediate financial information, and any accounting system which cannot produce it must be at once drastically overhauled. Moreover, they realize that this information, or selections of it, has to be projected in several directions – inwards and downwards through the various levels of junior management and outwards to creditors, customers, shareholders and, where appropriate, the investing public. It is, therefore, an essential condition of honest management that the selections so disseminated must be part of a co-ordinated whole. This may seem elementary but there are many once flourishing companies now defunct because their production, sales and financial credit departments came somehow to be operating on three separate sets of statistics, irrelevant to and irreconcilable with each other and with optimism as their only common factor.

A sad and serious example of such a happening captured the headlines last week. At a meeting of the creditors of the Rolls Razor company, the investigating accountant, is on record as saying that 'the lack of proper information and the inadequacy of the accounts sections was greatly responsible for the failure of the directors to realize the full situation and to take adequate steps to remedy it in proper time'. He went on to say that 'if the directors had had a proper cash forecast, the present position may not have arisen. The company concentrated on sales and production to the exclusion of finance . . .' and, through pressure of intense competition, the 'Bloom bubble' burst. If any good can come of the sorry affair it must surely be that directors and senior management everywhere will heed the warning and see to it that, within their own organizations, they possess trustworthy means of measuring factory capacities, selling markets and financial resources.

In the case of good and conscientious management, the impetus to install such control mechanism comes naturally from within the minds of those in charge. It is a characteristic of the truly alert business man that he knows, or has the means of finding out quickly, everything that happens in his own domain. With well-meaning but less competent managements, the need for a continuous flow of up-to-date information may be impressed upon them by outward events – either in the sharp and salutary form of a spectacular business failure such as that of the Rolls Razor company or, more gently, by the cultural influences of such institutions as the stock exchanges and by the professions. A good example of the latter form of indoctrination is the letter circulated last week by the CHAIRMAN OF THE LONDON STOCK EXCHANGE to the chairmen of public companies on the subject of disclosure of additional information for quotation requirements – a model illustration of wielding power beneficially for the common commercial good.

The influence exerted by the accountancy profession in this direction is not easy to define if only because it is derived from a number of sources. On the 'commercial' plane, there is the wide range of services performed by firms of practising accountants and by individual accountants with positions in industrial undertakings. This mighty but diffuse contribution cannot be assessed but its weight and worth are impressive. Then there are the, by comparison, small-scale corporate activities of the district societies and summer schools and courses sponsored by the professional bodies. Next week-end, the English Institute's summer course at Cambridge will be deliberating on papers on 'An investor's view of company accounts' and 'O. & M. for the smaller client', while the Scottish Institute's summer school at St Andrews will similarly be considering a paper entitled 'Spotting a company's weak points' – all topics which at least show the profession's awareness of its present-day obligations towards its clients and the community.

At the highest level in the profession's multistoried contribution to company well-being, there are the publications and pronouncements of the professional bodies themselves. The recommendations on accounting principles by the English Institute have enjoyed almost judicial authority in recent years. Indeed, so great has been their effect on the structure of company accounts, that we are left wondering at times why the same influence has not been used to even greater purpose in other ways. The new requirements formulated by the London Stock Exchange carry weight because the Council of that body has the absolute privilege of refusing to grant quotations to those companies whose accounts or conduct do not conform to accepted standards. The possession, in its own sphere, of stronger powers by the accountancy profession is surely due.

The reasons why it does not at present have them are many and complex. In the first place – even leaving aside the specialist bodies – accountancy is constitutionally a divided profession in the British Isles and none of its four principal constituent bodies all of whom are equal in the eyes of the law, can speak or act with the unified authority of, say, the Law Society or the Stock Exchange. Secondly, accountants, to whichever body they owe prime allegiance, are broadly either 'in practice' or 'in industry' and, although they all get on very well together, there are deep differences in their philosophies and outlooks. Thirdly, the powers of the profession are restricted by the inadequacies of the 1948 Companies Act and the procrastination of the Government in introducing the amendments universally recommended.

Until all these delicate matters are resolved, the

accountancy profession cannot rightly take the place in the councils of commercial administration which it deserves. Every time an auditor signs a report to a company's shareholders his professional reputation is at stake. It is but justice, therefore, that he should have a commanding voice in the development of good company law and practice, but to achieve and keep this position, the profession as a whole will have to do some hard and realistic thinking.

Perpetuities and Accumulations

SIGNIFICANT CHANGES UNDER THE NEW ACT

by CHARLES H. MOSS, M.A.

THE new Perpetuities and Accumulations Act came into force on July 16th, and therefore this seems an opportune time to examine again these contentious subjects. The new Act is just one more facet of two never-ending struggles: (*a*) the desire of people with property to 'tie it up' for the longest possible period and the determination of the Legislature to limit the time during which it may be so 'tied up'; and (*b*) the laudable attempts of legal advisers to make the best possible use of the property 'tied up' and the equally laudable efforts of the Revenue authorities to extract the maximum amount from the property within the limits of legality.

Ethics

With regard to this second 'struggle' it cannot be too often reiterated that while 'tax evasion' connotes dishonest and illegal practices, 'tax avoidance' is a perfectly laudible activity. It was in fact stated by Lord Atkin in his judgment in *C.I.R. v. Duke of Westminster* (14 A.T.C. 77; 19 T.C. 511) that:

> 'It has to be recognized that the subject, whether poor and humble or wealthy and noble, has the legal right so to dispose of his capital and income, as to attract upon himself the least amount of tax. The only function of a court of law is to determine the legal results of his dispositions so far as they affect tax.'

One of the most striking recent examples of this struggle is the case of *C.I.R. v. Rennell* (42 A.T.C. 55) where an ingenious use of a marriage settlement disclosed quite a large hole in the Revenue 'net', which hole was promptly closed by section 53 of the Finance Act, 1963, within a few weeks of the decision of the House of Lords affirming the validity of the settlement.

Different considerations may prompt the inclusion in a settlement of trusts requiring the accumulation of income. It becomes desirable to consider to what extent accumulation is permitted, when it is imposed by statute, and what advantages it has additionally to the obvious one of bringing about an increase in the size of the trust fund.

Limitations

The time for which funds may be accumulated – under previous statutes – is limited in two ways: first, by the rule against perpetuities, and secondly, by the statutory provisions against accumulations. Originally the rule against perpetuities was the only limiting factor, but after *Thelluson v. Woodford* ((1805) 11 Ves. 112) had shown that a trust for accumulation might, while in no way transgressing the perpetuity rule, build up an astronomical fortune – some £100 million was the estimated figure in that case – Parliament stepped in to impose a more drastic curb. Today it is only necessary to consider the rule against perpetuities in its modern form and the existing statutory provision against excessive accumulation, contained in section 164 of the Law of Property Act, 1925 (and the amendments under sections 1 and 13 of the new Act).

The rule against perpetuities is that the vesting of a future interest may not be postponed for a longer period than a life, or lives, in being (including the life of a person *en ventre sa mere* at the time of the limitation) and twenty-one years

after the dropping of the life or the last of the lives, as the case may be, subject to the fact that at the end of this period the limitation may still take effect if the person in whom the interest is to vest is *en ventre sa mere*. Section 164 restricts the duration of the accumulation to one of the following periods, namely:

(*a*) The life or lives of the settlor or settlors.

(*b*) A term of twenty-one years from the death of the settlor.

(*c*) The minority or respective minorities of any person or persons living or *en ventre sa mere* at the death of the settlor.

(*d*) The minority or respective minorities only of any persons who, under the limitation of the settlement, would, if of full age, be entitled to the income directed to be accumulated (even though there is no such person alive at the death of the settlor).

It is to be observed that just as a direction to accumulate which does not offend the rule against perpetuities is bad if it does not comply with section 164, so a direction to accumulate for a period within the section may be bad on the ground that the rule against perpetuities is offended. On the other hand, while a direction to accumulate which transgresses the rule against perpetuities is void *in toto*, one which provides for accumulation within the perpetuity period but is not within section 164 is void only in so far as it exceeds the appropriate period.

The provision which imposes a statutory duty to accumulate is section 31 of the Trustee Act, 1925, which requires that if the person entitled to property under a trust is an infant, the trustees shall accumulate during the infant's minority such part of the income as they do not apply for his maintenance. Section 165 of the Law of Property Act enacts that where under a settlement there has been accumulation for one of the periods permitted by section 164 and at the end of that period the beneficiary is an infant, so there may be a duty to accumulate under section 31 of the Trustee Act, the accumulations for the two periods shall not be counted together and so held to constitute an infringement of section 164. A direction to accumulate for the payment of debts or for raising portions is not within the restrictions of the Act (section 164, (2), (i), (ii)). On the other hand an accumulation for the purpose of buying land may be made to endure only for the fourth statutory period (section 166).

New Periods Proposed

The new Act provides that where the instrument by which any disposition is made so provides, the perpetuity period applicable to the disposition under the rule against perpetuities, instead of being of any other duration, shall be of a duration equal to such number of years not exceeding eighty as is specified in that behalf in the instrument.

Under sections 1 and 15 (5) a special power of appointment may provide that the perpetuity period applicable thereto shall not exceed eighty years. The period so specified will apply to any appointment under the power as it applies to the power itself.

An appointment in favour of a class which includes objects not necessarily ascertainable within the fixed period might, where the interests of members of the class are not severable, be wholly void; but an appointment in favour of a class to take on a contingency would, under the 'wait and see' provisions in section 3, be presumed to be valid until it was established that it would vest outside the fixed period. If it vested within that period it would be valid. Anything done in the meantime with regard to advancement or maintenance would also be valid. Any appointment under the power should not depart from the terms of the power, although if it did not expressly limit the vesting period within the fixed period, it might still be validated by section 3 or 4 of the new Act.

The Act makes provision for two further periods of accumulation:

(*a*) a term of twenty-one years from the date of the making of the disposition; and

(*b*) the duration of the minority or respective minorities of any person or persons in being at that date.

How the Eighty-year Period May be Used

An example of a valid trust which might extend the full length of eighty years can be created by a settlor making a settlement of investments on his present and afterborn children where he wished the property to vest at thirty, and the present children shall not be entitled to be paid the income of their shares until they reach the age of 30. By section 13 of the Act income may be accumulated for twenty-one years from the date of the making of the settlement, so that the settlement should be made before the eldest child

reaches the age of 10, thus allowing the vesting age to be attained within twenty-one years.

At the vesting date the class would be finally ascertained, the shares of all afterborn children vesting when they reached the age of 30. Any child of an afterborn child taking by substitution could also have the vesting date fixed for its thirtieth birthday. If, therefore, the eldest child at the date of the settlement is at least 10, only afterborn children born during the next twenty years will be able to qualify as beneficiaries. The date on which their shares vest will be thirty years after birth, a maximum of fifty years from the date of the settlement. The shares of *their* children who may take by substitution would likewise be made to vest at thirty, i.e. within the eighty-year period since no child of the settlor who was a beneficiary could die before attaining the age of 30 leaving children who had not attained that age thirty years later.

Savings

The new Act makes provision for certain assumptions and savings; in particular, the position of a surviving spouse who might have been unborn at the beginning of the perpetuity period. Section 5 enacts that where a disposition is limited by reference to the time of death of the survivor of a person in being at the commencement of the perpetuity period and any spouse of that person, and that time has not arrived at the end of the perpetuity period, the disposition shall be treated as if it had been limited to the time immediately before the end of that period.

By section 7 a power of appointment is treated as a special power unless in the instrument creating the power it is expressed to be exercisable by one person only and it could be exercised by that person, being of full age and capacity, to transfer the whole interest to himself without reference to any other person.

Pitfalls

The settlor who directs accumulation is at least as likely to do so with the idea of saving income tax, or surtax, or estate duty, as he is of increasing the fund. Having seen what are the limits placed on accumulations the chief consideration is how, within those limits, accumulation can be directed to the best advantage.

It must be reiterated that if fresh holes are found in the Revenue net they very quickly get stopped up by the following Finance Act. While, however, an article of this compass is unsuitable for the purpose of dealing in detail with specific valid settlements and trusts, it may be useful in pointing out to practitioners the principal pitfalls to be avoided, remembering always that 'settlement' includes 'any disposition, trust, covenant, agreement or arrangement' (section 404 (1), Finance Act, 1952).

(*a*) A 'seven-year covenant' means seven years duration of the covenant. The trap here is that it is possible to agree to pay 'seven annual amounts' which are payable over a period of *six* years – one at the beginning and then six more. Such a covenant is caught by section 392 of the Income Tax Act, 1952. Care should be taken to make a preliminary payment now and seven annual payments, or alternatively, covenant to make *eight* annual payments.

(*b*) Any revocable settlement whether revocable by the settlor, the wife or husband of the settlor or any other person appointed with powers of revocation, will also be caught by the same section.

(*c*) Any discretionary covenant whereby the settlor or the spouse of the settlor may be a beneficiary is rendered ineffective for tax purposes by the Finance Act, 1958, section 22.

(*d*) Sums paid annually to trustees on trust to accumulate the sums so paid will be ineffective under the Income Tax Act, 1952, section 407.

(*e*) Covenants to pay annual sums to the child of the covenantor are also ineffective since the income of the child while still an infant or unmarried is deemed to be the income of the parent.

(*f*) Unless sums payable under a deed of covenant are payable to an individual for his own use or are applicable for the benefit of named persons or the children of named persons they are not admissible as deductions in computing income for surtax purposes. The beneficiary must not be either a servant, solicitor or agent of the covenantor.

(*g*) Covenants in favour of charities may still yield a benefit so far as income tax is concerned, although they are no longer valid as a means of saving surtax.

Credit Insurance

by AN INSURANCE CORRESPONDENT

IT seems quite clear that effecting credit insurance has not yet become a habit for the majority of businesses. For many, whilst insuring most of their balance sheet assets year in and year out against such hazards as fire and theft, only think seriously about insuring their trade debtors when a crisis is already upon them. Nevertheless failures, like fire and other disasters, are a regular occurrence in modern society – whatever may be the prevailing economic conditions.

In practice, considerable thought is often given to credit insurance in respect of exports, but it may be overlooked in the domestic field. Generally speaking, it is usual for the so-called 'political' risks (such as non-payment by an overseas buyer due to import licensing or exchange transfer difficulties in his country) in connection with exporting, to be covered by the Exports Credit Guarantee Department of the Board of Trade. Although this is a Government department, the service is intended to be self-supporting and the aim is that it should not be subsidized. Briefly, therefore, it can be said that the whole of E.C.G.D.'s activities are in the export field.

It is perhaps natural, whenever credit insurance is mentioned, to think of export markets; but considerably more business is transacted in the domestic field by commercial insurers. Incidentally, this form of insurance can be used for some export markets where the 'political' risk can be considered to be negligible. These areas include the Commonwealth, Western Europe and North America.

Unconnected with Guarantees

A definite distinction must, however, be made between credit insurance and 'guarantee insurance'. Credit insurance has nothing to do with the writing of performance or customs bonds and the like. It is concerned solely with the indemnification of loss due to a buyer's failure to pay for goods sold and delivered, work done, or services rendered on credit terms. Probably one of the main reasons why confusion has arisen in the past between credit and guarantee insurance is because certain credit insurance companies include guarantee insurance in their range of activities, and also because the International Credit Insurance Association consists of both credit insurers and guarantee insurers.

Another point where on occasion confusion arises, is that credit insurance is in no way concerned with covering the sale on extended terms of domestic appliances, furniture, vehicles, etc., by retailers to private individuals. This falls under the heading of hire-purchase insurance. Basically, therefore, it can be said that credit insurance is concerned with risks arising from the granting of *trade* credit, whereas hire-purchase is connected with risks inherent in the extension of *consumer* credit.

Possibly one of the reasons why domestic credit insurance is not better known is due simply to the fact that it is one of the newer forms of insurance which have been made generally available. For instance, in the United Kingdom, the oldest company writing this class of business has been in existence for less than half a century. Another factor is that it is a very specialized business from the underwriting point of view. Even today, there are only three insurance offices providing this form of cover, and two of them first started writing the business during the past seven years.

Ancillary Services

Incidentally, besides simply providing an insurance cover for losses, a good insurance office may be helpful in making collections of bad debts – on payment of a small fee. As a guide to how successful this service may be, it can be mentioned that the largest office in the field handles about £1 million of debt collection per annum. It is successful in recovering between 75 and 80 per cent of this sum. Other risk reducing functions which are operated are a comprehensive information service and specific advice on credit control. In each of these cases it is possible to draw on the experience of all the other policy-holders.

It should not be thought that full indemnity can be obtained from a credit insurance company. Despite the fact that there is a fairly wide range of policies available to meet specific needs, there are a number of principles which apply to them all. Thus, although there are variations depending

on the particular risk concerned, it is usual for the percentage of cover to be in the region of 75–85 per cent of the debt. In some cases it may be slightly higher, or it may be lower, but at least this can be taken as a guide.

As previously indicated, the risk covered by a credit insurance policy is simply loss, arising from the insolvency or protracted default of a buyer, of money owing in respect of goods sold and delivered, work done, or services rendered. In this connection, protracted default is considered to exist when a buyer fails to pay an admitted or established debt within ninety days of the due date. Rather naturally, however, account must be taken of any extension which the insured firm may have allowed. Incidentally, the important words here are that the debt must be admitted or established. On no account will insurers be drawn into any argument about quality or performance. If there should be any dispute between the insured firm and a debtor, the cover will operate only after it has been settled and the debt has been established.

Settlement of Claims

So far as the payment of claims under a policy is concerned, in the event of insolvency, it is likely that a claim will be payable under a credit policy within thirty days of the debt having been admitted to rank in the insolvent estate. In the case of protracted default, the procedure is that claims are payable within six months, subject to satisfactory proof of loss being provided. Incidentally, it should be added that if any period of time for non-payment is due to political causes outside the control of either the seller or the buyer, this does not count towards the six-month period. Furthermore, rather naturally if, after the settlement of a claim, any salvage is received (however this may have been achieved), it is laid down that this must be divided between the insured firm and the insurers in proportion to their respective interests in the loss (e.g. 80 per cent to the company and 20 per cent to the insured firm).

Inevitably there are exclusions in this type of insurance. Basically, however, they are mainly in connection with sales to Government departments, nationalized undertakings and local authorities. For in these cases insolvency cannot occur. Also the exclusion is extended so as to apply to associated companies of the insured firm.

As is customary with most forms of insurance, before cover can be granted it will be necessary for a proposal form to be completed. In the first place, the insurance company will wish to know of the spread of buyers and the average amount of credit given. If any buyers are given special terms, this will have to be mentioned. Clearly, the insurers will wish to have details of the bad debt experience in the past (usually extending over the past five years). All markets outside the United Kingdom will have to be specified.

A point worth mentioning is that so far as the rating of the risk is concerned, to a great extent the premium level will be determined not only by the firm's past experience and its spread of buyers, but also according to the nature of the goods and the trade in which they are sold.

Advice on Credit Control

Obviously, from the point of view of the insurers, much depends on the system of credit control which is in operation. Thus, not only will insurers wish to have details about it, but they may also make an informal inspection of it. On occasions they may make suggestions as to how it might be improved. For instance, sometimes it is suggested that references should be obtained from two or three different sources.

In addition to what can prove to be useful independent advice on credit control, insurers can be of considerable assistance so far as information is concerned. For instance, the larger credit insurance companies maintain a large store of up-to-date information in connection with the credit standing of firms at home and overseas. A number of sources are used to obtain this information, such as banks, inquiry agents and other credit insurers, in addition to the actual experience of the credit insurance company and its policy-holders.

On the basis of the information available (or specially obtained), individual credit limits for each buyer are assessed and the insured firm is advised of them. The reason for this is that the limit of insured credit to be allowed by the insurers to each buyer must be agreed specifically by the insurers and be endorsed on the policy. An exception to this rule is made in the case of a policy where the whole turnover of a firm is insured. In this case the firm is allowed a discretionary limit – which is a figure up to which credit may be allowed to any buyer without prior reference to the insurers subject, however, to normal prudence being exercised.

Once established, a credit limit is not necessarily inflexible. For instance, an application for an increase can always be made (though it may

not necessarily be granted). Insurers also have the right to cancel or reduce approved limits if adverse information on buyers is received by them. In these circumstances, however, the insured firm would be held fully covered in respect of firm contracts already entered into with the buyers concerned.

Wide Range of Policies

There is a wide range of policies available. If necessary, it is possible to obtain a policy to cover a single sale on credit terms. On the whole, however, it is usually more satisfactory if a policy is arranged on an annual basis – in which case it can apply to one or more named buyers. Nevertheless, there are distinct advantages to be obtained from a 'whole turnover' policy, and it is a fact that the majority of policies are written on this basis.

The aim of such a policy is to cover the whole of an insured firm's business during its currency. If this appears to be wasteful of premium, since it may seem unlikely that a claim would arise in certain quarters, such a policy can be limited so as to apply only to business in specified countries or markets, or even to the business of a particular department. As mentioned, when this type of policy is in force, it is usual for the insured firm to be allowed a degree of discretion in granting credit up to an agreed limit.

Various combinations of this form of policy are available. For instance, it may be possible to arrange for a proportional first loss to be borne by the insured firm before there is any claim under the policy – there being a fixed limit of indemnity.

Cover for Work in Progress

On occasions it may be sensible to arrange for insurance cover in respect of the risk of loss on work in progress, in addition to the cover for loss of money owing for delivered goods. This is likely to prove particularly convenient where goods are being manufactured to the specific design or requirements of a buyer, for any such goods held in stock at the time of the buyer's insolvency can be a partial or total loss. This would not be covered under the normal type of policy, which stipulates that they must have been delivered.

In the case of a straightforward 'whole turnover' policy, the premium is charged as a percentage of the value of the insured sales. As might be expected, this is likely to vary considerably according to the degree of risk involved. Nevertheless, *on average* the rates charged for this type of policy are no more than a few shillings per cent.

As mentioned, when the premium is being assessed, the trade of the firm to be insured and the trade to which the goods are being sold are taken into account. In addition, the average period of credit is likely to influence the rate, for the shorter the term, the lower is the rate likely to be. The rate may well be higher when there are many small accounts rather than a few large ones.

If exports are to be insured by this form of insurance, it is quite likely that the premium will be weighted according to the particular market.

Miscellaneous Policies

A rather different type of policy is available for a running or revolving business with one or more named buyers during a period of twelve months. In this case the premium can be calculated at a percentage rate on the outstanding amount of insured debts at one time, rather than on the turnover of transactions. If the outstanding amount is consistent, the percentage rate may be a fixed sum calculated on the maximum limit of the insured debt in the policy. On the other hand, if the balance of indebtedness fluctuates from month to month, the premium is adjusted on the monthly balance at appropriate rates.

A resale loss policy will cover either a single contract of sale goods, or a series of transactions with one or more named buyers during a period of twelve months. The policy does not cover the credit risk on delivered goods, but simply the risk of loss on the resale of goods which have been dispatched to a buyer, but which cannot be delivered because of his insolvency. In this case the premium is calculated at a percentage rate on the amount of the contract or on the turnover of transactions during the policy period.

Where work on single constructional or service contracts proceeds in advance, the necessary cover can be arranged. In this case the premium is fixed according to the amount and period of the contract. The main point which should be borne in mind so far as this type of policy is concerned is that it is credit insurance for work done or services rendered.

Finally, for those firms dealing in the commodity markets, a market difference policy may be of value. If a commodity is bought forward, the buyer can be protected for the price differential in the event of the seller becoming insolvent and being unable to deliver at the agreed price.

The Role of the Accountant in Management Consultancy — I

Today's Problems and Tomorrow's Developments

by L. W. SHAW, B.Sc., F.C.A.

Introduction

CONTRARY to the view held in some quarters, management consultancy is not a particular reserve of industrial engineers and marketing experts. Accountants are playing an important part in the practice of management consultancy at the present time, and it is certain that they will play an increasing role in the future.

What is Management Consultancy?

2. Before considering the part which accountants can and should play in management consultancy it is necessary to have clearly in mind what is meant by management consultancy. Understandably it means different things to different people, according to their experience or knowledge of the services provided by management consultants. Such services are commonly known to include the activities of men with stop watches who work out schemes for payments by results, as well as the activities of experts on plant layout, materials handling, marketing and so on. But the consultant's concern with administrative organization and with financial planning and control has only comparatively recently come to be understood by the managements of industrial and commercial undertakings in this country.

3. Although the services which have now come to be recognized as being within the scope of management consultancy have been provided by some well-known companies of consultants for many years, management consultancy is a comparatively young profession and, in a sense, has only during the past couple of years achieved formal professional status. The Institute of Management Consultants was formed in October 1962 at the instigation of some leading consultants and has a council which includes a number of chartered accountants as well as engineers and other specialists. The council has formulated rules to be observed by members of the institute and a code of professional conduct.

4. The definition of management consultancy provisionally adopted by the Institute of Management Consultants is in accordance with the principles recognized by the British Institute of Management and the Management Consultants Association, which have been the two bodies mainly concerned up to the present time with the regulation of the practice of management consultancy by organizations other than firms of accountants. The practice of management consultancy by firms of chartered accountants is of course subject to the rules of the Institute of Chartered Accountants. The definition provisionally adopted by the Institute of Management Consultants is in two parts, as follows:

'(1) Management Consultancy is the service performed by a qualified management consultant in investigating and identifying management problems concerned with policy, organization, methods and procedures; recommending appropriate action and helping to implement these recommendations.

(2) A management consultant is a person whose principal activity is advising on specific problems of management, and who arrives at his recommendations by factual investigation, tempering his advice by such a broad view of the client's undertaking that the recommended solution is considered the best available for the undertaking as a whole. He is required to have had adequate experience in providing such advice in at least one of the following groups of functional specializations, viz: Production, Marketing and Selling, Finance and Accounting. He is also required to possess a good general knowledge of business management and the human factors involved therein.'

5. A management consultant is required to have a detailed knowledge of one, but only one, of the main groups of specialization – production, marketing, finance. He is not, and cannot be expected to be,

Mr L. W. Shaw, B.SC., F.C.A., author of this paper presented at the Oxford Summer Course of The Institute of Chartered Accountants in England and Wales on July 10th, a partner in Price Waterhouse & Co., qualified in 1942 as a member of the former Society of Incorporated Accountants.

expert in all three of those major activities. But, and this is important, the management consultant is expected to have, in addition to his detailed knowledge of one of the major activities, a good general knowledge of the other two activities in which he does not specialize. The management consultant is not a narrow specialist; he must not be so imbued with the detailed requirements of one of the major functions of business that he fails to give proper recognition to the requirements of the other activities of the organization, and to the possible effects of his recommendations on them.

6. The management consultant's job is to examine the problems of management and to advise management on the best course to follow, having regard to all the circumstances. To carry out his duties effectively the consultant must view the situation from the standpoint of a managing director. Even though he may be primarily concerned with a problem in production, selling or accounting he must eventually relate his solution to the overall requirements of the business. This necessity for taking a broad and entirely objective view of the problem means that the consultant must be completely independent of the management of the business under review. He cannot be an employee of the organization, nor can he be a person, such as a supplier of equipment, with a direct interest in the results of his investigation.

7. The Institute of Management Consultants' definition requires that a consultant's principal activity must be advising on problems of management. This is a reasonable requirement and is intended to ensure that a person, having acquired the necessary skills and experience to enable him to operate as a management consultant, does not then lose that facility through lack of continued experience and contact with the developing techniques of the work. It is to be noted, however, that an individual might qualify and work as a management consultant although his employer's principal activity is not management consultancy, provided that the individual advises on his employer's clients' problems as distinct from his employer's own problems.

How does an Accountant fit in with Management Consultancy?

8. It must be recognized right at the start that two professions are concerned in the answer to the question of 'how does an accountant fit in with management consultancy?', namely, accountancy and management consultancy. The two are not synonymous. Relatively few accountants at this point of time are management consultants, and only a minority of management consultants are accountants. But there is no doubt that a chartered accountant, given the necessary 'post-graduate' training and experience, can develop into a most efficient type of management consultant. There is abundant evidence of this, and not only in the firms of public accountants which for some years have operated successful management consultancy departments. All of the larger companies of consultants have accountants on their staffs, and more than one of them has an accountant as its chairman or managing director.

9. This is not surprising when one considers the training of an accountant and the discipline of accountancy in relation to the basic qualities of a management consultant. It has been seen already that a consultant is expected to be a specialist in only one of the three major groups of activities of production, marketing and selling, and finance and accounting. The latter activity of finance and accounting includes financial planning and control, the provision of information for management, budgetary control and cost ascertainment and control, in fact all the various aspects of management accounting. This field of work is confortably within the scope of a chartered accountant who, since qualifying, has developed an interest in management accounting and the broad needs of industrial and commercial management, and has had the opportunity to gain experience of the investigation and solution of management problems.

10. Chartered accountants may be divided into four categories for the purpose of considering the part they play in relation to management consultancy:

(1) The accountant in industry and commerce.

(2) The accountant who is employed as a consultant by companies whose principal business is management consultancy and which are not practising chartered accountants or identifiable with a firm of chartered accountants.

(3) The accountant who (*a*) is employed by chartered accountants who as part of their practice, either as a division of the main firm or as a separate firm, carry out management consultancy work, and (*b*) whose principal activity is management consultancy work. The principals of such firms who are mainly concerned with consultancy work may, for present purposes at least, be regarded as a sub-group within this category.

(4) The accountant whose main activity is work other than management consultancy and who is a principal or employee of a firm of chartered accountants (which may or may not specialize in management consultancy work).

11. Because the accountant in industry and commerce cannot be entirely independent of the management of his organization he cannot function as a management consultant. Admittedly he may advise the board of directors or other officials of the company on specific problems of management; he may even have the task of reorganizing major divisions of the organization. In carrying out this work he may well need to bring to bear all the techniques and experience of a management consultant. However, even assuming that he could do this, the accountant in industry is

still unable to regard himself as a management consultant; he lacks the essential qualification of consultancy, namely, independence. Of course, in the case of a very large group of companies, it could happen that a management accountant working from the headquarters of the group could be completely independent of the operating companies and divisions. But this position does not often arise in practice.

12. This does not mean that an accountant in industry and commerce should not be interested in management consultancy as a profession. On the contrary, the future of consultancy depends very largely on the feeding back into the profession of the knowledge and experience gained by accountants in industry after qualifying as professional accountants. Such accountants with some years of first-hand experience of the problems of management in industry and commerce, including accountants who may have specialized in the installation of punched card or electronic accounting equipment, are welcome recruits to companies of management consultants and to firms of chartered accountants who specialize in management consultancy work. In fact, during a time of considerable expansion of this field of work, such as the present, the most important source of recruitment of chartered accountants to management consultancy would be from accountants in industry and commerce.

13. The accountant employed as a consultant by a company of management consultants is already deeply immersed in consultancy. Clearly his role in management consultancy is to become an even better consultant and eventually to progress to the top of his profession as a director of one of the larger companies of management consultants.

14. There is now a considerable number of accountants who come within category (3) of the four categories set out in paragraph 10. They are employed mainly by the larger firms of chartered accountants which have separate divisions or firms carrying out management consultancy work and by the various consortia or associations of firms which have made arrangements for providing a common service of management consultancy. It will be noted that the performance of management consultancy work is the *principal* activity of these accountants; they may be concerned occasionally with other work which comes within the scope of a practising chartered accountant, but their main interest and occupation is management consultancy. They are specialists within the accounting profession. Also, because of the nature of their work, they are by definition management consultants, just as surely as their professional brethren employed by companies of management consultants.

The Qualifications of a Management Consultant

15. But what is it that differentiates these accountants from chartered accountants in general practice? What are the essential qualifications of the management consultant whose specialist field of work is finance and accounting? It must be clear straight away that it is not simply a detailed knowledge of management accounting that converts the ordinary chartered accountant into a management consultant, although this is an essential ingredient.

16. The first requirement is that the man should be a first-class accountant; he should have an analytical mind and an intense interest in the constructive aspect of accountancy rather than in a purely critical approach to accounts which have been prepared by somebody else. He should have a natural interest in why systems operate as they do, and in the purpose of accounts and records and the use to which they are put. The accountant should also be able to recognize good ideas and procedures when he sees them, as well as to diagnose and correct poor ones. It is essential that he should be able to express himself lucidly, both orally and in writing and he must be able to get on with people at all levels. These are basic requirements in a potential management consultant.

17. The next step is to acquire an extensive knowledge of management accounting. The scope of the knowledge required for the Institute's new Certificate in Management Information is excellent for this purpose, and the initiative taken by the accounting bodies in providing the Certificate in Management Information and the Joint Diploma in Management Accounting as incentives to study is welcomed as evidence of awareness of the developing field and importance of accountancy. The syllabus of the Institute's 'post-graduate' examination in management information is attached as an appendix to this paper (see page 286).

18. A chartered accountant can acquire the necessary knowledge of the techniques of management accounting, and of providing the information required by management for the efficient running of a business, by conscientious study. It is suggested by the Institute that a two-year course of 'spare time' study after qualifying as a chartered accountant might be appropriate for the Certificate in Management Information. It is quite certain that the average chartered accountant cannot expect to acquire the additional knowledge required for management consultancy in less than two years.

19. In the production of a management consultant the gaining of an adequate knowledge of management accounting must be accompanied by experience of the application of this knowledge to the investigation of management problems. It is by means of this experience that the potential management consultant learns to understand the essential needs of management with regard to financial and accounting matters; he also acquires the general knowledge of production management, marketing and selling, which is necessary for the completion of his training as a management consultant. It is doubtful whether a chartered accountant could acquire this general knowledge entirely by reading books on the subject,

just as it would be unlikely that a person could gain a useful knowledge of finance and accounting simply by theoretical study. Practical experience under the guidance of a person who is already qualified is an essential part of the training in any profession.

20. This period of training and practical experience also develops in the potential management consultant an ability to get on with people and to create a feeling of confidence in his competence to help management with their problems. The accountant will also find out whether his initial enthusiasm for the work has been maintained, in spite of the exacting nature of the work and the normal rigours of consultancy. It must be understood that the very variety of the work has some drawbacks, one of which is the need to spend appreciable periods of time working away from base.

The Role of the General Practitioner

21. It will be seen from what has been said above that, unless an accountant's main activity is management consultancy work, he cannot regard himself as a management consultant. Indeed, one must go further and point out that an accountant cannot really undertake management consultancy work, in the full sense, as a minor activity; it is not possible to 'dabble' in management consultancy. In a colloquial sense an accountant whose main work is auditing can carry out work which has the appearance of management consultancy work, especially if the work is in the field of management accounting and is performed separately from the audit of a client's accounts. But this work is not strictly management consultancy unless it conforms to the definitions and principles which have been outlined in the earlier part of this paper.

22. This is not to say that the general practitioner has no part to play in management consultancy. It is commonly accepted that a chartered accountant should be able to provide his audit clients with general financial and accounting advice, including advice on taxation and on accounting aids to the efficient running of a business. Under this heading would come advice on costing systems and their relation to the determination of selling prices, budgetary control, and the improvement of accounting systems by mechanization or other means. The qualified accountant has some knowledge of the basic principles of management accounting, and as from next year the subject will have greater prominence in the Final examinations of the Institute than it has had so far.

23. The basic knowledge which the qualified accountant has of management accounting is extended and sharpened by experience, according to the needs of his practice. Also, the auditor gains a continuing close knowledge of his client's business, and his experience of many businesses enables him to compare their management problems and to develop a breadth of knowledge and experience which grows with his practice. As a result, the accountant in general practice can and does give help to management, and this service is of the nature of management consultancy. It is of course limited by the knowledge and experience which the auditor has of the subject, but it may well satisfy the needs of his clients whose businesses are relatively straightforward.

24. However, in the larger undertakings the problems of management become more complex. There is a need for the regular review of the administrative organization, of the information provided for management and of the use to which it is put. So much of management depends upon financial considerations that the means of presenting information so as to make the greatest impact is of prime importance. It is also important to ensure that the information is accurate and up to date and has been obtained with the minimum of effort and cost. In the larger businesses this may involve the problems inherent in the use of advanced systems of costing and of the integration of production control with statistical and accounting records. Or there may be problems with regard to the efficient use of a punched card installation or the feasibility of using an electronic computer.

25. It might reasonably be expected that the auditor's knowledge and experience should enable him to recognize these problems when they arise, or at least to recognize the signs and symptoms of possible trouble. If the management does not ask the auditor's advice about these matters – possibly because the management is unaware of any particular problem – surely the auditor should take the initiative, and advise his clients to take effective action, rather than wait until things have obviously gone wrong.

26. As a reult of the auditor's initiative, or of its own accord, the management might ask the auditor for his assistance, to be provided as a service in addition to his audit. If the auditor honestly feels competent to provide such advice, then he should do so and, if possible, help the management to implement his recommendations. If, however, the management problems are such that the auditor has any doubt about his ability to advise on them, he should have no hesitation in suggesting to his client that he should collaborate with another chartered accountant who can provide the required service of management consultancy.

27. A major benefit of this kind of collaboration between firms of chartered accountants is that the continuing relationship of the auditor with his client can be used to its fullest advantage by arranging that the auditor should assist his client in carrying out whatever implementation work might be necessary as a result of the advice given by the consulting firm.

The Development of Management Consultancy in the Accounting Profession

28. The history of the development of management consultancy in the accounting profession up to the

present time is very largely an account of the growth of consultancy work in the larger firms of practising chartered accountants. This is to be expected in view of the highly specialized nature of the work and the resulting problems of organizing the work and providing staff who are competent to do it.

29. It is only during recent years that firms of accountants have been able to provide a service of management consultancy. For many years before that, the larger firms have had departments or separate firms specializing in work variously described as 'systems work', 'organization and methods', and so on. And for even longer periods of time before that, most firms of accountants have given advice about accounting systems and organization at the request of their clients. This work was done by chartered accountants during and between their normal audit assignments and was rightly regarded as part of the work which any qualified chartered accountant might be expected to undertake.

30. During the war of 1939–1945 and the years that followed there were rapid developments in costing techniques, particularly standard costing, and in accounting mechanization. Also the principles of what has now come to be known as 'management accounting' began to take shape. The growing needs and increasing complexity of the accounting systems of progressive companies led to their seeking advice and help in these matters from their auditors. As a result the larger firms of chartered accountants established separate departments to specialize in 'systems' work.

31. In the early years the work was comparatively straightforward. Most of the assignments were relatively short and usually involved little more than the review of accounting systems and advice on what today would be regarded as simple mechanization. Generally speaking the work would be referred to nowadays 'O. & M. work'. However, even then it was found that an investigation of a client's accounting system could not be limited absolutely to the records, procedures and machines which in theory seemed to be most appropriate to the needs of the business. The accounting organization and the people running the system needed to be taken into account if the best solution to a client's problems were to be found.

32. Consideration of the uses to which the accounting information was to be put led to close contact with the executives of an organization other than the accounting executives. Discussion of mutual problems with production managers, sales managers and so on developed an appreciation of their philosophy and needs, and of the dependence of each part of a business on the efficient functioning of every other part. And so the seeds of management consultancy were sown in the accounting profession.

33. Around 1955 there was a marked increase in the rate of growth of systems work undertaken by accountants in practice. This was largely due to the increasing use of more sophisticated types of mechanization and to the entry of electronic computers on to the accounting scene. It was also due to the growing awareness, on the part of management, of the valuable contribution which accountants were able to make to the solution of the problems of management. The proper use of the accounting information was being developed and management was becoming increasingly aware of their need for it. It must also be borne in mind that since the war increasing numbers of accountants have gone into industry and commerce, and many of them have inevitably found their way into the top places in management. Hence it is understandable that managers should become more accounting minded and aware of the contribution which accountants can make to the successful management of a company.

34. As a result of all this, and of the increasing complexity and depth of the work, many firms of chartered accountants had to review the scope of the services which were available for their clients, some of whom were now interested in integrated computer systems, the application of statistical analysis to management problems, and mathematical techniques designed to facilitate the maintenance of a proper balance between production, sales, finance, etc. In order to provide the service which their clients were beginning to expect from them, the larger firms found that they had to provide a management consultancy service. Other firms have decided that at this point of time the needs of their practices can be met by introducing a measure of specialization in management accounting. Some of the firms which are not prepared or able to provide a service of management consultancy – or of management accounting – on their own, have combined together to form consortia or associated companies or firms with the specific object of providing a service of consultancy for their clients.

The Scope of Management Consultancy Work in the Accounting Profession

35. The scope of the management consultancy work which can be undertaken by a chartered accountant depends on his competence and experience. Even though he may be qualified as a management consultant, the limitations of his knowledge and experience may not enable him to undertake the whole of the range of work which might reasonably be regarded as coming within the scope of a management consultant whose specialist activity is accounting. For example, it would be unreasonable to expect every management consultant to be fully conversant with the increasing complexities of electronic computers and their ancillary equipment. This subject, among others, is giving rise to a measure of specialization even within the specialist service of management consultancy. However, as the consultant's experience develops, so will the scope of his work widen.

36. In a firm, or association of firms, of practising

(Continued on page 287)

APPENDIX

Syllabus for the Certificate in Management Information

The syllabus of the examination is concerned with the circumstances in which particular management information is needed, the way in which it should be prepared and presented and the action which should flow from it.

I. Business Organization and Administration

The basic functions of business and how a business is organized to discharge them.

Different types of business organization.

The definition of accountability and the way in which management responsibility is delegated, including methods of communicating management information and the extent to which these are influenced by business structure.

The relevance of business structure to effective planning and control.

The special problems of organization and administration of large companies and groups of companies.

The advantages and disadvantages of centralization and decentralization, group and divisional organization, centralized financial control, centralized specialist services.

The organization of vertical, horizontal and mixed groupings.

The control of companies or divisions overseas.

The organization of the accounting and information function within a business and its relation to other parts of the business.

The financial organization of a business.

Financing methods for the provision of long-term and short-term finance.

The paper will include a case study setting a problem in business organization and administration which will call for an answer in the form of a report: this question will carry about half the total marks to be awarded for the paper.

II. Design of Systems and Data Processing

This paper deals with the techniques of processing data for the purpose of providing accounting and other information, including the use of machines and electronic equipment.

Detailed technical knowledge of particular machines is not required, but an understanding of principles of operation, organization and control is expected so that judgments as to suitability and cost comparison may be made and special requirements of a system stipulated.

Organization and simplification of office work; clerical work study.

Recording, copying, indexing, coding, sorting, filing.

Systems analysis and planning, form design, flow charts and block diagrams.

Main types of equipment available for manual or mechanized accounting – general features and uses.

Punched cards, paper and magnetic tape – basic characteristics, use and control.

Basic units of a computer, methods of input, output and storage, elementary principles of programming.

Integrated data processing systems (including electronic)–functional and logical organization, methods of establishing office work loads and cost comparisons.

Control of data processing systems (manual or mechanized); control of input, of amendments to standing data, and of output; additional controls available in machine or computer operation.

Documentation of systems, internal check and audit – special considerations in relation to mechanized and electronic data processing systems.

Data processing applications in commerce and industry; information processing.

III. The use of Analytical and Statistical Techniques in providing Management Information

Elementary statistical theory; the use of statistical sampling techniques, in particular in connection with the control of quality in purchased materials, manufacturing processes and finished articles, and also in connection with clerical procedures; the statistical anslysis of trends for forecasting and similar purposes.

The nature of work study; the basic procedures of method study and work measurement, including the objectives and the techniques available for application to both workshop and clerical operations.

The principles of production control and the problems of pre-production planning, scheduling and control.

A knowledge of the principles of network analysis which can be used for solving problems of sequencing and scheduling, in the control of complex operations.

An elementary knowledge of the mathematical techniques which can be used for determining the most effective allocation of limited resources and for the control of inventories and purchasing procedures.

The use of accounting and other ratios, and the theory of interfirm comparisons.

The availability of statistical infoımation on a national basis relating to trade and industry, and its use in business decisions.

IV. Financial Management and the use of Accounting Information

This paper requires a deeper knowledge and understanding of the relevant parts of the syllabus for the Advanced Accounting III paper in the Final (Part II) examination of The Institute of Chartered Accountants in England and Wales, and for the Cost and Management Accounting paper in Part V of the examination of The Institute of Chartered Accountants in Ireland.

The principles of classifying and coding accounts, products, stores and equipment.

The preparation, presentation and interpretation of financial and appropriate statistical information, both routine and special, for use by the board and all levels of management for the purpose of planning and control, including the considerations which apply in the case of holding companies and other large organizations.

The principles and operation of the financial and statistical techniques used by management including those for short-, medium- and long-term budgeting, for controlling operating, maintenance, construction and research and development costs and capital

expenditure, for controlling inventories, for choosing between alternative courses of action, for assessing the return on capital employed, for the evaluation of cash flows, for assessing the relationship between cost, volume and profit and for measuring productivity and efficiency.

The application of these techniques and, where appropriate, those covered by the syllabus for the paper 'The use of analytical and statistical techniques in providing management information', for such purposes as profit planning, estimating, pricing and investment policy.

Continued from page 285

chartered accountants which provides a management consultancy service for its clients there is likely to be a range of knowledge and experience available which will enable the firm to provide a service of consultancy which is sufficiently comprehensive for the needs of the practice. The larger the firm, or the greater the extent of its specialization in consultancy work, the more complete should be the range of the services which are available. A practical limit is imposed by considerations as to whether the work is capable of adequate supervision by a chartered accountant.

37. The following is a summary of the range of management consultancy services which might reasonably be provided by a practising firm of chartered accountants without there being any doubt as to whether the work is consistent with the business of a chartered accountant:

(1) *Organization of Management*

To make reviews of the management organization of commercial, industrial and other undertakings and to advise with regard to changes which may be desirable in the forms of organization.

To define the responsibilities and duties of executives and when necessary to assist in advertising for and selecting staff for administrative and accounting positions.

(2) *Management accounting*

To advise on the form, content and frequency of accounting and statistical information provided to the board and to all levels of management for the purpose of directing and controlling the undertaking.

To advise the management on the interpretation and use of the information provided.

To design the systems necessary for producing the required information and to assist in installing such systems or modifying the existing ones, including systems of budgetary control, costing and standard costing, production control and inventory control.

(3) *Systems analysis*

To review administrative systems for the purpose of determining the most efficient use of available resources.

To use statistical analysis, sampling techniques and operational research in so far as these are applicable to administrative and accounting problems.

(4) *Office procedures*

To advise on the organization of clerical procedures and methods throughout the undertaking, including invoicing and sales accounting, purchasing procedures, purchase accounting, payrolls, store records and inventory control, internal audit and other systems of check or control, production control systems and progressing records.

To assist in introducing revised procedures and methods, and if required, to prepare manuals of such procedures.

(5) *Mechanization and electronics*

To advise on the mechanization of accounting and statistical procedures, where appropriate.

To advise on existing mechanized systems or proposed schemes for mechanization or automatic data processing, including the use of electronic computers.

To assist in introducing all forms of office equipment, including addressing, copying and reproducing equipment, keyboard accounting machines, punched card machines, tape machines and electronic calculators and computers.

To organize and direct the activities of study groups concerned with the investigation of the possibilities of using electronic computers, particularly for integrated processes and procedures.

Systems Analysis and Operational Research

38. Systems analysis is a relatively new term for something which accountants have been doing for many years, namely the review of administrative systems for the purpose of determining the most efficient use of available resources. But the expression is now acquiring a narrower meaning, mainly as a result of recent developments in the use of techniques which are concerned with analysing complete systems rather than with tackling individual procedures within a system. These techniques, particularly statistical analysis and operational research, involve the use of mathematics and scientific methods for analysing complex business problems and systems. Methods of network analysis such as 'CPM' or 'PERT' techniques would also come under this heading, although these do not necessarily involve the use of mathematics. 'CPM' 'PERT' are abbreviations for 'Critical Path Method' and 'Program Evaluation and Review Technique' respectively. The abbreviations are used. understandably, far more frequently than the full titles of these network analysis techniques.

39. Basically operational research consists of applying scientific method to the evaluation of the factors relating to a business problem and to the establishment of mathematical relationships between those factors so that the most advantageous solution to the problem can be derived. In a large company well-defined functions, such as production, marketing and finance, develop objectives of their own which occasionally conflict. This 'conflict of interest' occurs for example in inventory management, where shortage of stock may prejudice sales but where surplus stock would tie up capital unnecessarily, and in production scheduling where the factors of production such as materials, labour, machine capacity, etc., are limited. The aim of operational research is to provide means of solving problems which involve the inter-action of the various parts of an organization so that the best interests of the organization as a whole may be served.

40. Although a major requirement in dealing with these problems is experience of scientific methods of systems analysis, many operational research techniques, such as linear programming, queueing theory, etc., are based on fairly advanced mathematics or are derived from mathematical statistics and the theories of variability and probability. It is necessary therefore to have an understanding of the basic principles of these subjects in order to make progress with an operational research study. But there is no reason why an accountant should not have, or should not acquire, the necessary mathematical knowledge in order to undertake this work. Mathematics is not a profession; it is a branch of knowledge which is as available to accountants as it is to engineers. However, the fact has to be faced that, at this point of time, relatively few accountans have more than an elementary knowledge of mathematics. This is a defect which should be remedied as soon as possible, especially in the case of chartered accountants who wish to specialize in management consultancy. Even those who wish to do no more than make a study of management accounting and take the Institute's Certificate in Management Information will require to revise their mathematics for the purposes of Paper III on the use of analytical and statistical techniques. *(To be concluded.)*

The U.E.C. Congress in Vienna

OPENING SESSION IN HOFBURG PALACE

The fifth Congress of the Union Européenne des Experts Comptables Economiques et Financiers (U.E.C.) was held in Vienna this week under the distinguished patronage of the Austrian Federal President, Dr Adolf Schärf. Besides members of the organizing body in Austria, the Kammer der Wirtschaftstreuhänder, there were over two thousand participants from affiliated accountancy organizations in twenty-three different European countries.

The congress was officially opened on Monday morning in the magnificent Renaissance-style assembly hall of the Kongresszentrum in Vienna's Hofburg Palace. Speakers at the opening session included the Congress President, Wirtschaftsprüfer Karl August Ziegler; the Vice-Burgomaster of Vienna, Court Counsellor Hans Mandl (representing Burgomaster Franz Jonas),; Dr Wilhelm Elmendorff, President of the U.E.C.; the Federal Minister of Trade and Reconstruction, Dr Fritz Bock; and the Minister of Finance, Dr Wolfgang Schmitz, who presented a paper on 'International investment policy'.

The Congress President, Karl August Ziegler

Congress President's Welcome

In his address of welcome to members and guests, the Congress President, Herr Ziegler, read messages of goodwill from the Federal President and the Federal Chancellor Dr Josef Klaus. He also expressed pleasure at the presence of other Ministers, Government officials and members of the Diplomatic Corps representative of foreign States.

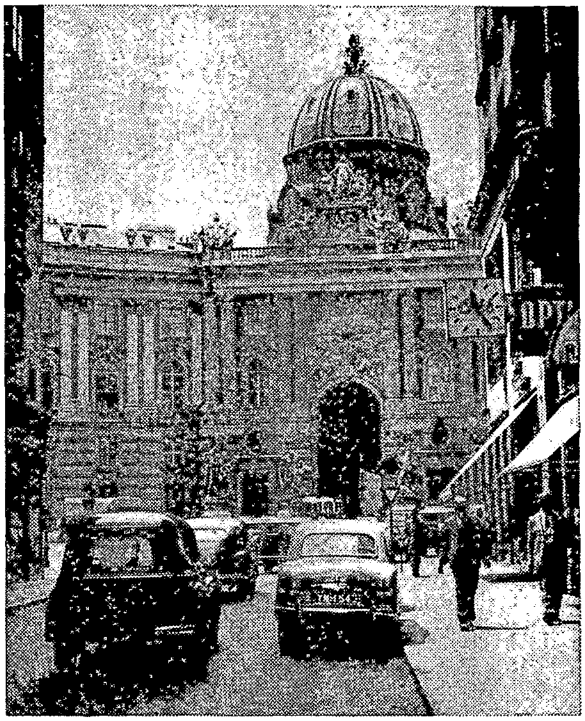
The President also extended greetings to Presidents

of Honour, Vice-Presidents and other high officers of the U.E.C. who were present, as well as to the presidents and official representatives of the various member organizations of the U.E.C. Herr Ziegler referred to the fact that this was the first U.E.C. Congress to be held following the affiliation of the British, Scandinavian and Dutch professional bodies, whose membership fulfilled the original objective of the founders of the U.E.C. to constitute a truly representative European accountancy organization.

'The Congress Committee and all those who have assisted it', concluded Herr Ziegler, 'have done their best to make your stay in this City – so historic and full of traditions – as agreeable as possible; so that on your return to your own countries you will always have pleasant memories of this Congress in Vienna and of the success which its organizers hope it will achieve'.

Civic Welcome

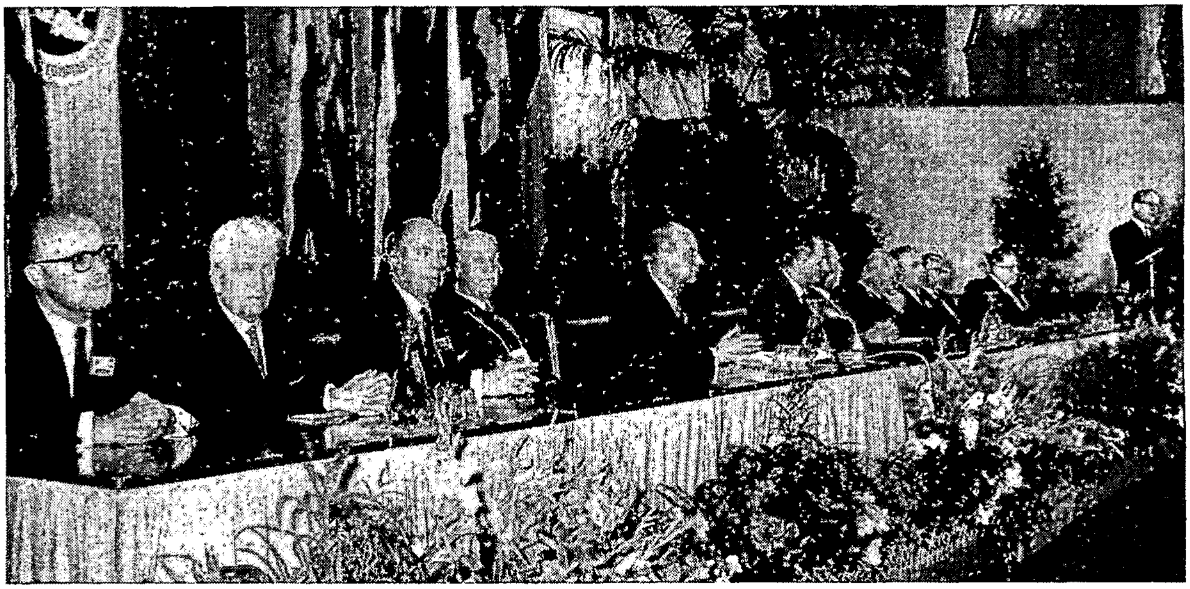
Vice-Burgomaster Hans Mandl conveyed the greetings of the civic authorities of Vienna who, he said, rejoiced in the fact that the City had been selected as the venue for this Congress. He felt that the Congress should contribute considerably towards the unification of Europe. Apart from the business sessions, he hoped that members would enjoy visiting the many places of interest in Vienna and its social amenities.



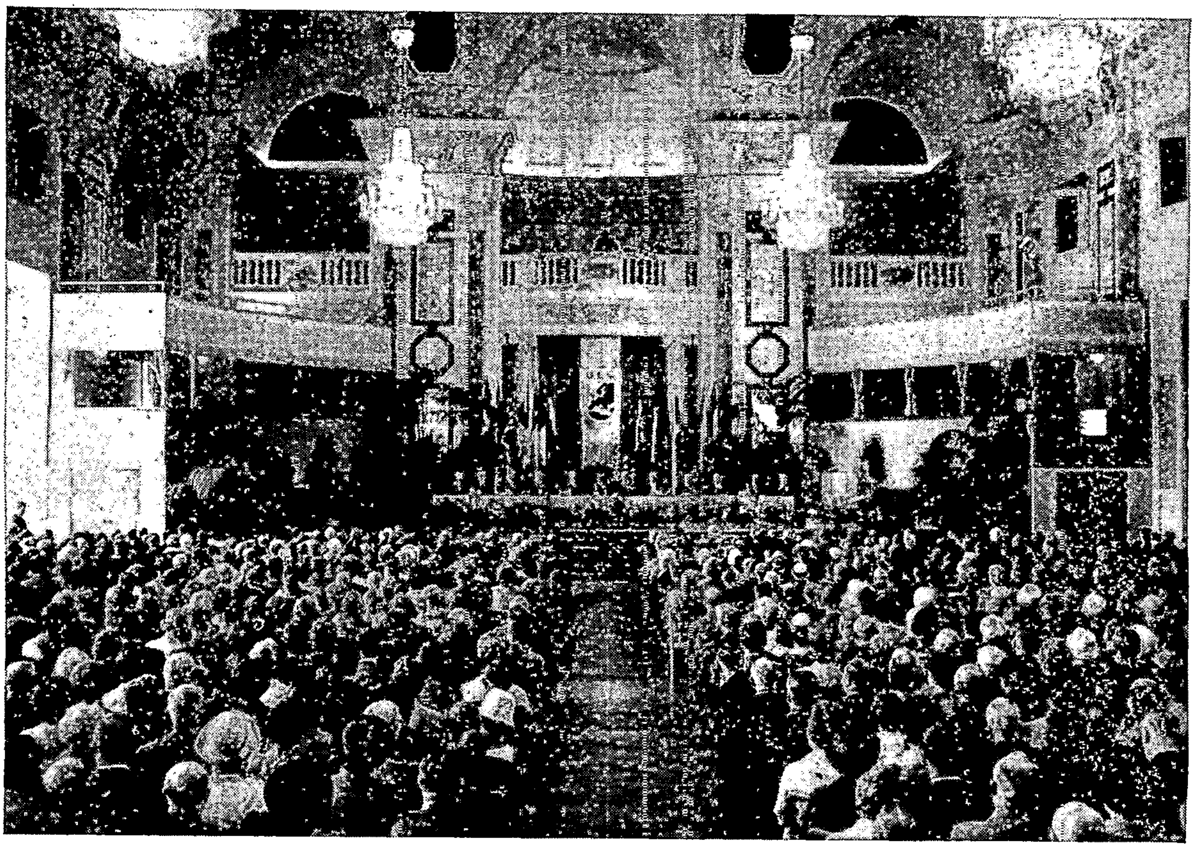
Michael Gate of the Hofburg Palace where the business sessions of the Congress were held in the Kongresszentrum.

President of the U.E.C.

In the course of his address of greeting to Congress members, the U.E.C. President, Dr Elmendorff, referred to the problems of integration in Europe and said that since the previous Congress in Zürich in 1961, considerable developments had taken place in the world, in Europe, and in the U.E.C., of which it was



On the platform at the opening session (*left to right*): Dr Louis Perridon, *Secretary-General*; Dr Jakob Viel (Zürich) and Marcel Wiart (Dinant), *Honorary Presidents*; Sir Thomas Robson (London) *a Vice-President*; Dr Wilhelm Elmendorff (Düsseldorf), *President of U.E.C.*; Maurice Moine (Paris) *an Honorary President*; H. C. Treffers (Amsterdam), *a Vice-President*; G. Fain (Paris), *Honorary Secretary-General*; Dkfm Dr Robert Bechinie (Vienna), *a Vice-President*; Anton Honold (Zürich), *Treasurer-General*; Dr Kurt Schmidt (Vienna), *Congress Secretary*; with Karl Ziegler, the Congress President, at the rostrum.



General view of Opening Session

necessary to take account in order to pursue the aims of the U.E.C. Since the Zürich Congress the great powers had endeavoured to reduce world tension, and in fact some easement had ensued with beneficial effect on international relationships. In addition, since the Second World War, the old Europe had acquired new importance and the aims for a united Europe had lost much of their idealism and had become more practical; although there were, of course, still differences of opinion on the best approach to achieving unity.

At the first Congress in Florence, said Dr Elmendorff, it had been decided that members of the U.E.C. would co-operate in the construction of a European community of accountants. To achieve this it was realized that the aim could only be accomplished gradually. The attendance at Zürich of observers of the professional bodies in Britain, Holland and Scandinavia had been a milestone and with their affiliation as full members in April 1963, the U.E.C. had become a truly European association.

Minister's Address

The Minister of Trade and Reconstruction, Dr Bock, who is an honorary member of U.E.C., recalled that he had participated in the first Congress in Florence and was privileged to participate in the official opening of this Congress. 'The keynote of this Congress', he said, 'is in many ways the foremost topic of discussion in Europe – collaboration, co-operation and unity. The peoples of the various nations', he went on, 'today rely to a much greater extent on each other than they did previously; and it must be realized that at the present time the knowledge and experience of accountants should be devoted to the furtherance of greater economic unity'. In this connection he drew attention to the particular importance of the second plenary session which would deal with the subject of 'The possibility, usefulness and purpose of a standardized European plan of accounts'.

Dr Bock expressed the hope that the discussion at the Congress would be fruitful, and would lead to a greater understanding of each other's methods so that it might be possible in due time to think along the same lines on matters which were common to each country.

During the opening session, selections from Mozart's 'Symphony in A Major' were played by the Vienna State Opera Orchestra under its conductor, Professor Hans Faltl.

The remainder of the opening day of the Congress was given over to social arrangements including tours of 'Historic Vienna' and the 'Hohenstrasse' in the afternoon; with a 'Heurigen' and a reception by the Mayor of Vienna in the Town Hall in the evening.

Weekly Notes

INSTITUTE'S CAMBRIDGE COURSE

THE Cambridge Summer Course of The Institute of Chartered Accountants in England and Wales assembles at Emmanuel College, Cambridge, next Wednesday afternoon and will disperse on Sunday morning, September 13th. This will be the third summer course to be held at Cambridge and the attendance is expected to be over one hundred and sixty. Members will be divided for discussion purposes into eight groups and the President of the Institute, Mr W. G. Densem, F.C.A., will preside throughout the course.

The course will open with a short address of welcome by the President on Thursday morning followed by the first paper on 'Estate duty planning', by Mr K. G. M. Harding, B.A., F.C.A., senior partner in the firm of Harmood-Banner, Cash, Stone & Mounsey. The second paper, 'An investor's view of company accounts', by Mr D. Napper, F.C.A., of the Industrial & Commercial Finance Corporation Ltd, will be presented on Friday morning, and the third and final paper, 'O. & M. for the smaller client', by Mr J. G. Simpkins, F.C.A., a partner in the firm of Nevill, Hovey, Smith & Co, will be given on Saturday morning.

Questions raised during the discussions following each paper will be put to the various speakers at a separate meeting held each evening. The afternoons will be left free for members to use as they please for private study, mutual discussion or recreation. Among the arrangements made for these free sessions are a conducted tour of Cambridge, visits to Spicers stationery factory at Sawston, and Ely Cathedral, and a golf competition over the course of the Gog-Magog Golf Club.

SCOTTISH INSTITUTE'S SUMMER SCHOOL

ALMOST simultaneously with the English Institute's Cambridge Summer Course, The Institute of Chartered Accountants of Scotland will be holding their twelfth summer school at the University of St Andrews. This assembles on Friday next, continuing until Tuesday, September 15th.

The President of the Institute, Mr J. W. Dallachy, M.A., C.A., will welcome members after dinner on Friday evening and his address will be followed by a general discussion entitled 'The count down!' under the chairmanship of Mr John A. Stewart, C.A., partner in the firm of Kerr, McLeod & Macfarlan, Chartered Accountants, of Glasgow. On Saturday morning the first paper will be given by Mr John Paterson, M.A., LL.B., C.A., director, North Central Finance Co Ltd, on 'Hire-purchase finance', and on Sunday morning Mr Thomas D. Lynch, C.A., partner in the firm of Brown, Fleming & Murray, Chartered Accountants, of Glasgow, will give the second paper, 'Some aspects of tax planning'. The third and final paper entitled 'Spotting a company's weak points' will be presented on Monday morning by Professor R. W. Revans, B.SC.(LONDON), PH.D.(CANTAB.), M.I.MIN.E., head of the department of Industrial Administration of the University of Manchester. There will be discussions in groups after each paper and at a subsequent session the author will review points raised by the groups. A golf competition and a car treasure hunt have been arranged for Saturday afternoon, and on Sunday morning a church service in the Collegiate Church of St Salvator will be conducted by Professor E. P. Dickie, M.C., B.A., M.A., B.D., D.D., Chaplain to the Queen in Scotland, and Professor of Divinity in St Mary's College.

The proceedings of the school will terminate on Monday evening with the official dinner at which the President of the Institute will preside. Among the guests present will be Professor A. D. Campbell, M.A., Dean of the Faculty of Social Science, and Bonar Professor of Applied Economics, The University of St Andrews; Mr C. Thorpe Davie, O.B.E., F.R.A.M., A.R.C.M., Master of Music, The University of St Andrews; Mr Poul Seier-Petersen, Foreningen af Statsautoriserede Revisorer (Denmark), and Professor J. N. Wright, M.A., Master, St Salvator's College, and Professor of Logic and Metaphysics, The University of St Andrews.

IRISH INSTITUTE'S EXAMINATIONS

IN Part V of the examination of The Institute of Chartered Accountants in Ireland held during June and July last, the First Place and the Incorporated Society Jubilee Prize were won by Mr G. D. Harkness, of Belfast; Second Place was awarded to Mr R. O. Welton, also of Belfast, and Third Place was awarded to Mr G. A. Watson, of Dublin.

The First Place and the Samuel Smyth Memorial Prize in Part IV of the examinations was won by Mr R. T. Gilliland, of Belfast; Second Place was won by Mr E. J. Gribbon, also of Belfast, and the Third Place was won by Mr A. F. Chandler, of Cork.

In Part III, the First Place and the Arthur H. Muir Memorial Prize was won by Mr E. I. Johnston, of Belfast; Second Place was won by Mr W. G. Wilson, of Belfast, and Third Place was won by Mr F. Ledwidge, also of Belfast.

Mr W. R. Hanan, of Dublin, won First Place and the John Mackie Memorial Prize in Part II; Mr D. J. O'Sullivan, of Dublin, won Second Place, and Third Place was won by Mr S. S. MacGoey, also of Dublin. In Part I, Miss F. M. Glynn, of Dublin, won First Place, Mr G. R. Burrows, of Malahide, Co Dublin, won Second Place, and Third Place was won jointly by Mr H. J. Cavanagh, of Foxrock, Co Dublin, Mr D. B. O'Siochain, of Dublin, and Mr R. J. Stein, of Dublin. The full results appear on other pages.

DONATIONS TO UNIVERSITIES AND COLLEGES OF FURTHER EDUCATION

THE Engineering Industries Association has made available an exchange of letters between the Association and the Chancellor of the Exchequer relating to donations to universities and colleges of further education which publicizes the vexed question of how much relief from income tax traders should have in respect of moneys expended in encouraging higher education, an end in itself undoubtedly desirable. The burden of the Association's complaint is that the tax relief given by section 140 of the Income Tax Act, 1952, in respect of payments for technical education, and by section 335 in respect of expenditure on scientific research not of a capital nature and on payments to such institutions as research associations and universities, does not go far enough because of the conditions contained in those sections requiring a specific connection between the education or research in question and the donor's trade.

In taking a contrary view the Chancellor is naturally influenced by the fact that any extension of relief must add to the burden of the ordinary taxpayer, and, no matter how strongly one may sympathize with the advancement of education, it is not difficult to see the force of his case. It has been the policy of the Legislature to accord fiscal privileges to charity – probably most of the institutions concerned are charities – because of the benefit which they bring to the community, and, as the Chancellor points out, traders can make use of seven-year covenants which enable charities to recover the income tax paid by donors to their funds. In fact traders are placed in a position of special privilege by sections 140 and 335, no equivalent relief being given to ordinary individuals.

The E.I.A. believes nevertheless that traders would contribute more towards education and research if that privilege was extended further. Of course, this may be so; but it seems likely that contributions from industry will seldom be entirely altruistic but will be prompted, at least in part, by a belief that the donor's own trading prospects will be indirectly enhanced. In those circumstances it may on the one hand be doubted to what extent donations are restricted because the donor is not given greater tax relief, and on the other it may justly be said that such relief is not the due of acts which do not spring from altruism.

INCOME TAX AND THE ELDERLY

THE Board of Inland Revenue have produced a new explanatory pamphlet entitled *Income Tax and the Elderly*. Its purpose is to provide answers, which can be studied at home, to some of the questions which elderly people ask about their income tax. It covers the tax treatment of the types of income most commonly received by retired people and goes on to describe various allowances and reliefs, including the special reliefs for persons over 65.

The contents of the pamphlet are set out in question-and-answer form suitable to the subject, and the layout and larger-than-usual type have been chosen with the older reader in mind. Examples of tax calculations have been kept to a minimum.

Copies of the pamphlet are obtainable from tax offices.

RATES RELIEF SURVEY

THE findings of the sample survey into the working of the 1963 (Rating Interim) Relief Act carried out by The Institute of Municipal Treasurers and Accountants, and noted in these columns of our issue of August 15th, have received striking confirmation. A similar but much larger inquiry covering 1,071 authorities, i.e. 75 per cent of all authorities in England and Wales carried out by the Rating and Valuation Association, reveals that these authorities received only 35,000 applications for relief. Of these, about twenty-five thousand were rejected, the successful applicants sharing a mere £64,000. This figure needs to be related to the estimate of several millions made when the legislation was passing through Parliament.

The survey indicates that several factors probably contributed to this result. First, and probably foremost, is the means test which applicants have first to satisfy before obtaining relief. The report shows that methods of adjudging the justice of applicants' claims vary from authority to authority, but the Association considers that the Act has been interpreted and applied sympathetically. However, it may be conjectured that the less searching the means test, the greater would be the number of applicants! Secondly, since the relief to be granted under the Act is relatively small, many prospective applicants probably feel that the possible benefit does not justify the means test inquiry and hence they do not bother to apply. Lastly, it appears that there are many persons who, although eligible for National Assistance do not apply, seem even less willing to apply for rating relief. It is on this point that information is lacking in both the I.M.T.A. survey and the current inquiry; how many people are there, for instance, particularly among the aged and infirm not conversant with current affairs, who are not even aware that such relief exists?

An interesting point which emerges from the survey is that a number of authorities do not grant any relief as a matter of policy. However, this does not mean necessarily that they ignore the Act; it may reflect the highly localized impact of the 1963 revaluation. For this reason, the awaited report of the inquiry of the Allen Committee into the incidence of the rating system becomes a matter of urgency. Too little is known about the distribution of rates between households of differing composition and income to decide just how inequitable the local rate really is.

COMPUTERS IN LOCAL GOVERNMENT

THE Institute of Municipal Treasurers and Accountants has now published the report of a week-end computer conference held at Cambridge in April.[1] The conference was arranged by the I.M.T.A. to bring together chief officers from the principal local authority departments to discuss the use of computers in local government and the effect their use is having on the administration of local government services. Those attending included representatives from Government departments, clerks, engineers, medical officers, education officers, planners, housing managers, architects, police and treasurers.

A general introduction to computer facilities was given in the first session by Mr K. L. Smith, Advanced Market Development Manager of IBM (U.K.) Ltd. This was followed in the second session by talks on 'The computer in the finance department', by Mr J. M. Bowen, Borough Treasurer of Bournemouth; 'The computer in highway engineering', by Col S. Maynard Lovell, C.B.E., County Engineer and Surveyor, West Riding County Council; and 'The computer in the health department', by Dr T. McL.

[1] *Computers in Local Government*, obtainable from the Secretary, I.M.T.A., 1 Buckingham Place, London SW1. Price 15s, post free.

This is My Life . . .

by An Industrious Accountant

CHAPTER 240

IT was rather a gloomy little group of young accountants that foregathered in the lounge bar of the hotel one evening some decades ago. We had been friends for years; suddenly, it was time to part. Two of us were leaving for new jobs in the morning. Hey for boot and horse, lad, and round the world away.

It comes to all of us sooner or later, the necessity to decide on the next step towards long-term affluence. One moment we're senior articled clerks grinding hard for our Final examinations; the next, we're qualified, well-salaried (or relatively so), responsible, and as happy-go-lucky as we'll ever be; then suddenly we reach the parting of the ways.

That morning Bill had received a letter from his father, who managed a family business in the Midlands. 'The pater's a little groggy after that kidney op., you know,' said Bill worriedly. 'He wants me to come home to help him; new blood and all that rot. Mean to say, he needs a spot of the old professional expertise and so on, as the factory's finding it heavy going.'

Well, that was straightforward enough. Bill was no mental giant, but he'd qualified eighteen months previously. He'd always known the call would come sooner or later to shoulder the load. However, the family business was old and reputable, with a seat on the board waiting for him, and the chairmanship within reasonable distance. No reason for him to dally longer as an auditor; his choice was predestined to be early surtax and modest distinction in his home town.

With me it was different. I'd been offered a job as secretary/chief accountant to a provincial textile factory. The offer had been somewhat fortuitous and entirely unsought, but the salary increase had been outstanding. It was hard to reject it.

Actually there's not much option available to young accountants. We can't usually afford to lay down the capital sums required to buy a share in a prosperous partnership and the not-so-prosperous ones, though cheaper, are less attractive. To start up on one's own is precarious and penurious in the initial stages. My colleague, Ned, argued strongly in favour of this course, but then he's always been one of those fortunate few who gathers friends and clients with effortless ease; a flourishing practice was a certainty in his case. 'Don't leave the profession,' he urged. 'Stick it out a while longer.'

My failing has been a knack of occasionally saying the wrong thing with the best of intentions, and I didn't anticipate building up a practice by treading on some pompous client's toes. So I interviewed our senior partner. He wasn't helpful in clarifying my problem. A mask seemed to immobilize his face as I told of the salary attached to my prospects, and he became suavely non-committal. He didn't encourage me to stay on as a senior auditor, still less did he hint at a partnership to come. He congratulated me warmly and bowed me out.

The junior partner was horrified at the suggestion of my rusticating in country yokeldom, as he expressed it, of abandoning the city's lustre, prestige, contacts, knowledge and opportunities. But he didn't offer to match the new salary. He was mourning, he vaguely indicated, a second-rate choice, an ideal rejected, a stooping to an oafish lower level. I asked him whether the City wasn't really a parasite on the flank of the rural backbone of the nation, a mixing of metaphors which stopped his nonsense, and he, too, didn't ask me to stay.

It was a wrench breaking up the old gang, draining the tankards to *Auld Lang Syne*, ringing the rafters till the small hours with Ned's parody of Villon, commencing:

> 'Sons of toil and danger,
> Will you serve the stranger
> And bow down to industry?'

I wonder, if I had known then what I know now, if I would have taken that job.

Galloway, County Medical Officer of Health, West Sussex.

In the third session Mr W. H. Lake, County Treasurer, Nottinghamshire, spoke on 'Management decisions in connection with automatic data processing installations', and at the final session, Mr C. W. Mallinson, County Treasurer of West Sussex, reviewed 'The place of the computer in local government'. He said that from a survey published in September 1963, at least fifty-nine local authorities had installed electronic computing equipment, or had placed an order. These authorities ranged in size from those over two million population to under 150,000. The computers ranged in size from those costing over £150,000 to under £40,000.

FORECASTING EXPORT TRENDS

THE recent conflicting information regarding the trends of industrial production and exports has given rise to considerable doubt as to the validity of the techniques used for economic forecasts. The Treasury, in the latest issue of *Economic Trends*, draws attention to the difficulties of forecasting future trends of exports, and emphasizes that the techniques used in preparing the four-monthly confidential economic forecasts for the Chancellor of the Exchequer cannot be considered foolproof.

The export forecasts are based on conditions in individual overseas markets. The views of official British representatives in a number of the most important markets are obtained and separate forecasts are made of exports by value to each of the main selling areas. Forecasts cannot, however, be made on the basis of past experience since trends may be seriously affected by a number of factors such as removal of import restrictions, tariff discriminations, the trend of private investment and changes in rates of stockbuilding. The forecast also has to be reviewed in the light of expected changes in the United Kingdom competitive position *vis-à-vis* other exporting countries, and of the estimated trend of world trade as a whole. A check is provided by considering the United Kingdom share of world exports of manufacturers, but there have been large short-term and cyclical movements in this share in the past, which make it difficult to establish a trend and form a view about the future.

Finance and Commerce

'THE form of our accounts and the ten-year record have been modified to conform with modern practice,' writes Mr J. R. T. Hay, chairman and managing director of Twyfords Ltd, in his annual statement with the company's accounts to March 31st, 1964, from which this week's reprint is taken. Similar statements are made by other company chairmen to introduce the new look which the accounts take, but 'modern practice' is translated into varying forms of account presentation.

In Twyfords' case, the comparative simplicity of the accounts lends itself to the style of presentation chosen. The content of the accounts has considerable bearing on the method of presentation and Twyfords are able to present clean looking accounts mainly because the need for 'Notes' is minimal.

One doubts, however, whether the profit and loss account is necessarily a comment on modern practice. This column has a preference, admittedly a personal one, for beginning a statement of profit at the top and, although that preference may stem from a journalistic sense which demands the news in the first sentence, there is something to be said for it.

In his statement, Mr Hay reports that 'Group turnover rose to £3,181,747. Profit before taxation rose to £525,694 and tax provisions rise [*sic*] to £289,152. Turnover is not stated in the profit and loss account but the figure is given in the 'Ten-year Record'.

Omissions

The ten-year summary, apart from the provision of the turnover figure, is a collation of the salient points in the accounts. After turnover comes trading profit, other income, surplus, etc., provision for taxation net profit, dividends, fixed assets (including trade investments), net current assets and finally total net assets.

As a record of those items the figures have interest but it would be more useful to put into the Ten-year Record the facts and figures sought by shareholders and investment analysts. Relating profits and turnover to employed capital, providing a cash-flow figure, and showing equity earnings and dividend cover are essentially 'Ten-year Record' facts.

That is particularly so since the past year was an exceptionally good one. Turnover which only increased from £2,403,612 to £2,593,637 in the previous four years jumped to £3,181,747 in the past year, and trading profits, which between 1959–60 and 1962–63 fell from £330,430 to £263,009, jumped to £512,806.

TWYFORDS LIMITED — Balance Sheet 31st March 1964

	Authorised	Issued and Fully Paid	1963
SHARE CAPITAL, SURPLUS AND RESERVES	£	£	£
Share Capital			
1,050,000 Ordinary Shares of £1 each	1,050,000	1,045,839	1,045,839
Capital Reserve		494,002	494,002
		1,539,841	1,539,841
Revenue Reserves			
General	850,000		750,000
Profit and Loss Account	179,991		145,071
		1,029,991	895,071
		2,569,832	2,434,912
EMPLOYEES' PENSION AND BENEVOLENT FUND			
(After deducting payments of £2,875 net after tax in respect of Past Service Contributions under Employees' Pension Schemes and other Pensions and Gratuities)		57,956	60,831
FUTURE INCOME TAX		204,000	123,750
CURRENT LIABILITIES AND PROVISIONS			
Creditors and Accrued Charges	287,415		184,030
Current Taxation—Profits Tax to 31st March 1964 and Balance of Schedule D 1963/64	92,000		48,500
Provision for proposed Final Dividend in respect of year ended 31st March 1964	70,463		57,652
Deducted Per Contra	449,878		290,182
		2,831,788	2,619,493

NOTES:—

(1) Capital Commitments outstanding amount to approximately £133,000 (1963—£17,500).

(2) Contingent Liability on Bills Discounted £4,287 (1963—Nil).

	At Cost or Valuation (see note) as at 31st March 1963	Additions less Disposals during year	Depreciation to date		1963
FIXED ASSETS	£	£	£	£	£
Freehold Land and Buildings ..	1,692,055	53,530	630,788	1,114,797	1,115,415
Plant, Machinery, Kilns, Motor Vehicles etc.	1,389,758	50,399	831,534	608,623	620,814
	3,081,813	103,929	1,462,322	1,723,420	1,736,229
(Assets purchased prior to 31st December 1948 are included at an independent valuation)	£3,185,742				
WHOLLY OWNED SUBSIDIARY					
Twyfords (South Africa) (Pty.) Ltd Ordinary Shares at Cost			100,000		100,000
Current Account			190,951		126,258
				290,951	226,258
TRADE INVESTMENT					
Ordinary Shares in Hindusthan Twyfords Ltd.—at Cost				78,141	78,141
CURRENT ASSETS					
Stocks—at lower of Cost or Market Value			339,795		386,698
Debtors, Bills Receivable, Prepayments and Deposits (less Provisions)			440,923		330,674
Investments—Quoted .. .. (Market Value £44,347 — 1963 £58,299)		47,902			62,858
—Short Term Loans ..		320,000			70,000
			367,902		132,858
Cash at Bank and in Hand			40,534		18,817
			1,189,154		869,047
Deduct Current Liabilities and Provisions—Per Contra			449,878		290,182
				739,276	578,865
				2,831,788	2,619,493

For and on behalf of the Board,

J. R. T. HAY
D. T. BARRITT } *Directors*

TWYFORDS LIMITED and its Subsidiary Company — Consolidated Balance Sheet 31st March 1964

	Author-ised	Issued and Fully Paid	1963
	£	£	£
SHARE CAPITAL, SURPLUS AND RESERVES			
Share Capital			
1,050,000 Ordinary Shares of £1 each	1,050,000	1,045,839	1,045,839
Capital Reserve		494,002	494,002
		1,539,841	1,539,841
Revenue Reserves			
General	850,000		750,000
Profit and Loss Account	140,417		106,366
		990,417	856,366
		2,530,258	2,396,207
EMPLOYEES' PENSION AND BENEVOLENT FUND (After deducting payments of £2,875 net after tax in respect of Past Service Contributions under Employees' Pension Schemes and other Pensions and Gratuities) ..		57,956	60,831
FUTURE INCOME TAX		204,000	123,750
CURRENT LIABILITIES AND PROVISIONS			
Creditors and Accrued Charges	296,009		202,287
Bank Overdraft (Subsidiary)	6,796		21,142
Current Taxation—Profits Tax to 31st March 1964 and Balance of Schedule D 1963/64	92,000		48,500
Provision for proposed Final Dividend in respect of year ended 31st March 1964	70,463		57,652
Deducted Per Contra	465,268		329,581
		2,792,214	2,580,788

NOTES:—

(1) Capital Commitments outstanding amount to approximately £195,500 (1963—£17,500).

(2) Contingent Liability on Bills Discounted £4,287 (1963—Nil).

(3) The South African Subsidiary Company's Accounts have been converted to Sterling at the rate of 2R to the £.

	At Cost or Valuation (see note) as at 31st March 1963	Additions less Disposals during year	Depreciation to date		1963
FIXED ASSETS	£	£	£	£	£
Freehold Land and Buildings ..	1,799,809	97,805	634,232	1,263,382	1,221,427
Plant, Machinery, Kilns, Motor Vehicles, etc.	1,485,043	52,157	852,564	684,636	705,200
	3,284,852	149,962	1,486,796	1,948,018	1,926,627
(Assets purchased prior to 31st December 1948 are included at an independent valuation)	£3,434,814				
TRADE INVESTMENT					
Ordinary Shares in Hindusthan Twyfords Ltd.—at Cost				78,141	78,141
CURRENT ASSETS					
Stocks—at lower of Cost or Market Value			362,138		413,327
Debtors, Bills Receivable, Prepayments and Deposits (less Provisions)			460,740		340,543
Investments—Quoted .. .. (Market Value £44,347—1963: £58,299)		47,902			62,858
—Short Term Loans		320,000			70,000
			367,902		132,858
Cash at Bank and in Hand			40,543		18,873
			1,231,323		905,601
Deduct Current Liabilities and Provisions —Per Contra			465,268		329,581
				766,055	576,020
				2,792,214	2,580,788

For and on behalf of the Board,

J. R. T. HAY
D. T. BARRITT } *Directors*

Overtime

Twyfords is a leading name in the sanitary pottery and allied engineering industry and the jump in turnover and profits is explained by the fact that factories in England were employed on an overtime basis for most of the year. The company also has direct interests in South Africa as well as in India and Pakistan in co-operation with local interests.

Advantage is being taken of the resumption of turnover and earnings growth to capitalize £522,919 of revenue reserves for a '1 for 2' scrip issue. Mr Hay makes the normal dividend comment anent the issue and adds that the capitalization keeps 'in front of us all that your investment has grown over the last ten years, and that it is the increased investment rather than increased profit margins which has given rise to the increased dividends over that period.'

Total net assets, incidentally, have risen from £2,082,920 to £2,792,214 in ten years and dividends from £65,103 to £102,491. Shareholders will be kept informed as to how the current year is going by a half-year report which will show both turnover and profits.

Two Changes

TWO changes in the form of presentation of the accounts of The Second Great Northern Investment Trust Ltd are made this year. In the Revenue Account, adjustments in respect of double taxation have been included as part of the gross revenue for the year instead of being shown net as a deduction from the total figure of income tax and profits tax actually payable in respect of the year's income.

The chairman, Mr James Murray, comments that the inclusion of double taxation adjustments in gross revenue is 'a practice which is logical and is becoming more general'. In this particular instance the estimated relief is £40,311 which, with £318,241 of dividends and interest and £796 of underwriting commissions, brings total revenue to £359,348.

The second change is that the balance sheet is now presented in columnar form. 'This', Mr Murray says, 'brings out even more clearly than previously the shareholders' equity and precisely how this is represented.' The new form, it is hoped, 'will prove helpful not only to shareholders but also to others whose job it is to analyse company result's.

TWYFORDS LIMITED
and its Subsidiary Company

Consolidated Profit and Loss Account
for the year ended 31st March 1964

				1963	1963
		£	£	£	£
After charging					
Directors' Remuneration of Parent Company including Superannuation payments		26,090		26,440	
Directors' Fees of Parent Company		2,008		1,875	
Depreciation		146,362		134,545	
		174,460		162,860	
TRADING PROFIT IS			512,806		263,009
Add					
Interest on Investments and Bank Interest		12,790		4,330	
Transfer Fees		54		61	
Profit on realisation of Investments		44	12,888	—	4,391
PROFIT BEFORE TAXATION			525,694		267,400
Deduct					
Provision for Taxation on year's Profits of Parent Company:					
Income Tax		207,720			
Profits Tax		81,432	289,152		173,501
PROFIT AFTER TAXATION			236,542		93,899
Balance brought forward			106,366		111,126
			342,908		205,025
Less Transfer to Reserve for future Taxation		—		8,979	
Transfer to General Reserve		100,000		—	
Interim Dividend of 5%, less tax	32,028			32,028	
Proposed Final Dividend of 11%, less tax	70,463			57,652	
		102,491	202,491	89,680	98,659
BALANCE CARRIED FORWARD					
Parent Company		179,991		145,071	
Less Subsidiary Company		39,574	140,417	38,705	106,366

CITY NOTES

GENERAL Election hopes have spurred the industrial equities section of the stock-market to a new all-time peak in terms of *The Financial Times* share index. Modest demand on a thin market is pushing prices ahead.

Whatever concern may be expressed by economists at the widening trade and balance of payments gaps, the small operator in the stock-market chooses to ignore it. Any setback in prices only brings in more buying.

A cautious approach to the equity market is being preached in many quarters but the market continues, nonetheless, to receive its full quota of small buying support. There is still a fair flow of encouraging company news and enough activity on the take-over front to keep interest lively.

In the spring it appeared that 'sell in May and go away' would prove fair advice this year but once again, that ancient adage has been proved so old in the tooth as to be senile.

The summer, in fact, has provided the brightest period of the year for the stock-market. Of late the equity rise has run in line with the rise in the fortunes of the Government in the public opinion polls – or at least as shown in one of the polls.

Politics rather than economics are likely to continue to rule the market this side of the General Election and there is no sign as yet that election nerves are affecting small investor optimism.

* * * *

ONE prominent firm of London stockbrokers has treated its clients to an eight foolscap page study of General Election prospects by the firm's research department. The analysis has been concentrated on Conservative marginal seats. The brokers insist that the analytical exercise makes no attempt directly to predict the actual General Election result. But the survey concludes that 'A Conservative victory must now be viewed as a good possibility' and that 'the recent euphoria of the stock-market need by no means be as ill-timed as many observers have suggested'.

* * * *

THE Provident Clothing & Supply Co and United Dominions Trust are combining to provide another cog in the credit machinery through the launching of 'Paybonds'. The two companies each have a 45 per cent equity interest in Paybonds Ltd, with merchant bankers, M. Samuel and Rothschilds, equally holding the balance.

With top limits of £250 and two years, Paybonds are designed to cater for a credit market between Provident's small denomination 'checks' and a personal loan or overdraft from a bank. The service charge on the credit is linked with the credit term and there is a fairly tough credit rating system for vetting borrowers.

Holders of Paybonds will be able to buy goods at stores joining the scheme. The scheme has been launched in the Birmingham area and the sponsors hope for national coverage within two years.

* * * *

GRAMOPHONE record sales are still on the rise – and strongly so. In June sales were more than 50 per cent up on June last year. Sales last June totalled £1,520,000 against £1,470,000 in May and under £1 million in June last year.

In the first half of this year home sales were 33 per cent up on the first half of last year and exports 13 per cent up.

RATES AND PRICES

Closing prices, Wednesday, September 2nd, 1964

Tax Reserve Certificates: interest rate 19.3.64 $2\frac{3}{4}\%$

Bank Rate

July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	$6\frac{1}{2}\%$	April 26, 1962	$4\frac{1}{2}\%$
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	$5\frac{1}{2}\%$	Feb. 27, 1964	5%

Treasury Bills

June 26	£4	9*s*	3·39*d*%	July 31	£4	13*s*	1·03*d*%
July 3	£4	9*s*	4·72*d*%	Aug. 7	£4	13*s*	0·79*d*%
July 10	£4	9*s*	7·75*d*%	Aug. 14	£4	13*s*	0·21*d*%
July 17	£4	11*s*	7·01*d*%	Aug. 21	£4	13*s*	0·98*d*%
July 24	£4	12*s*	11·95*d*%	Aug. 28	£4	13*s*	1·47*d*%

Money Rates

Day to day	$3\frac{3}{8}$–$4\frac{1}{2}\%$	*Bank Bills*	
7 days	$3\frac{1}{4}$–$4\frac{3}{8}\%$	2 months	$4\frac{13}{16}$–$4\frac{7}{8}\%$
Fine Trade Bills		3 months	$4\frac{13}{16}$–$4\frac{7}{8}\%$
3 months	$5\frac{3}{4}$–$6\frac{1}{4}\%$	4 months	$4\frac{13}{16}$–$4\frac{7}{8}\%$
4 months	$5\frac{3}{4}$–$6\frac{1}{4}\%$	6 months	$4\frac{7}{8}$–$4\frac{15}{16}\%$
6 months	6–7%		

Foreign Exchanges

New York	$2·78\frac{15}{32}$	Frankfurt	$11·07\frac{1}{8}$
Montreal	3·00	Milan	$1739\frac{7}{8}$
Amsterdam	10·06	Oslo	$19·94\frac{5}{8}$
Brussels	$138·43\frac{1}{2}$	Paris	$13·64\frac{1}{2}$
Copenhagen	$19·30\frac{1}{4}$	Zürich	12·03

Gilt-edged

Consols 4%	64	Funding 3% 59–69	$89\frac{27}{32}$
Consols $2\frac{1}{2}\%$	$41\frac{1}{8}$xd	Savings 3% 60–70	$86\frac{1}{2}$
Conversion 6% 1972	$102\frac{5}{8}$	Savings 3% 65–75	$77\frac{13}{16}$
Conversion $5\frac{1}{4}\%$ 1974	$97\frac{13}{16}$	Savings $2\frac{1}{2}\%$ 64–67	$92\frac{1}{2}$
Conversion 5% 1971	$97\frac{1}{8}$	Treas' $5\frac{1}{2}\%$ 2008–12	$89\frac{1}{2}$
Conversion $3\frac{1}{2}\%$ 1969	$91\frac{17}{32}$	Treasury 5% 86–89	$87\frac{7}{8}$
Conversion $3\frac{1}{2}\%$	56	Treasury $3\frac{1}{2}\%$ 77–80	$76\frac{3}{4}$
Funding $5\frac{1}{2}\%$ 82–84	$95\frac{7}{16}$	Treasury $3\frac{1}{2}\%$ 79–81	$75\frac{1}{2}$
Funding 4% 60–90	94	Treasury $2\frac{1}{2}\%$	$40\frac{5}{8}$
Funding $3\frac{1}{2}\%$ 99–04	$63\frac{13}{16}$	Victory 4%	$98\frac{1}{2}$
Funding 3% 66–68	$90\frac{25}{32}$	War Loan $3\frac{1}{2}\%$	57

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

E. Gomme Ltd *v.* C.I.R.

In the High Court of Justice (Chancery Division)
July 24th, 1964
(Before Mr Justice UNGOED-THOMAS)

Stamp duty – Scheme of amalgamation – Increase of capital – Acquisition of part of undertaking of another company – Whether whole undertaking to be valued as gross or net – Stamp Act, 1891, sections 55, 57, 112 – Finance Act, 1927, section 55.

On July 28th, 1959, the appellant agreed with another company, Gomme Holdings Ltd, for a sale of certain assets to the appellant. The appellant was to act as agent for Gomme Holdings Ltd, was to collect debts due to that company and pay its creditors, and Gomme Holdings was to be responsible for any adverse difference. On November 9th, 1959, the appellant's capital was increased by £1,245,000 in £1 shares for the purpose of acquiring from Gomme Holdings Ltd a part of the undertaking of that company. The authorized capital of Gomme Holdings Ltd was £1,300,000.

The appellant claimed relief from stamp duty pursuant to section 55 of the Finance Act, 1927, and the amount of relief had to be worked out by the following formula:

$$\frac{£1{,}300{,}000 \times £1{,}241{,}298}{\text{Value of undertaking of Gomme Holdings Ltd}}$$

The question in dispute was whether the below-the-line item should be £3,220,507, the gross value of the undertaking of Gomme Holdings Ltd, or whether it should be £1,915,428, the net value of that undertaking.

Held: the item should be £3,220,507, the gross value of the undertaking.

Hellier *v.* O'Hare

In the High Court of Justice (Chancery Division)
July 28th, 1964
(Before Mr Justice UNGOED-THOMAS)

Income Tax – Trade – Unexplained capital increase – Sums paid into bank accounts – Betting transactions – Whether capital increase therefrom – Income Tax Act, 1952, sections 52 (6), 123 (Schedule D, Case I).

In 1944 the appellant ran a fish-and-chip shop which he sold in the following year, and acquired the control of a company running a restaurant business. Between 1944 and 1953 the appellant's capital increased by about £16,000, of which approximately £8,695 was not explained to the satisfaction of the Inland Revenue. He was assessed under Case I of Schedule D in respect of this sum spread over the years 1944–45 to 1952–53. There was evidence of betting wins.

It was contended on behalf of the appellant that the capital increase was accounted for by winnings on betting and by the sale of some furniture. It was contended on behalf of the respondent that the whole of the £8,695 represented trade receipts. The General Commissioners found that the amount that could reasonably be ascribed to betting was £200 in any one year, and they confirmed the assessments on that basis, but increased the assessments for 1948–49 and 1949–50.

Held: the General Commissioners' decision was correct.

John Mills Productions Ltd *v.* Mathias

In the High Court of Justice (Chancery Division)
July 27th, 1964
(Before Mr Justice UNGOED-THOMAS)

Income tax – Stage and film artist and director – Exploitation company – Exclusive services to company – Services let out to film company – Termination of this agreement – Whether sum thus payable a trade receipt – Time of receipt – Income Tax Act, 1952, section 123, Schedule D, Case I.

The appellant company was incorporated to exploit the services of Mr John Mills. In 1947 an agreement was made between Mr Mills and the company, by which the latter acquired his exclusive services as an artist in and director and producer of film and stage plays, and as an artist on television and radio, for fourteen years from July 1st, 1948, at a salary of £9,000 a year. On the same day an agreement was made between the appellant and a film-production company, whereby that company engaged Mr Mills exclusively for seven years from July 1st, 1948, in connection with a minimum of ten films, and a substantial sum was payable to the appellant.

Only two of the ten films were made, and in 1951 the agreement between the appellant and the film-production company was cancelled in consideration of the payment of £50,000 to the appellant; the appellant went into liquidation; and another company was incorporated to exploit Mr Mills's services, and the new company entered into contracts for that purpose. After the passing of its winding-up resolution on February 26th, 1951, the appellant did not enter into any new engagement contracts and did no more than deal with the determination of the contract with the film production company.

Verbal acceptance of the offer of £50,000, pursuant to negotiations, took place on January 19th, 1951. The payment of the £50,000 was on March 29th 1951. On March 14th, 1951, a director of the film-production company wrote offering the £50,000 and on the following day the liquidators accepted in writing. On March 31st the agreement between the appellant

and Mr Mills was cancelled, and on the next day an agreement was made between the appellant, Mr Mills and the film-production company cancelling the 1947 agreement with the last-mentioned party on January 16th, 1951.

The question arose whether the £50,000 was a receipt of the appellant's trade on the footing either that it was received for the cancellation of a basic agreement, or that it accrued due before the appellant had ceased to trade.

It was contended on behalf of the respondent that the £50,000 was a receipt in the course of the appellant's trade, and had been received while the appellant was still trading, and was accordingly a taxable receipt. It was contended on behalf of the appellant that the cancellation of the agreement with the film-production company was a transaction affecting the whole of the appellant company's profit-making structure; that the cancellation was after the appellant had ceased to trade; and that the £50,000 was a capital receipt. The Special Commissioners decided in favour of the respondent.

Held: (1) the £50,000 was a trade receipt of the appellant, (2) the case should be remitted to the Special Commissioners for them to state whether a binding agreement for the cancellation of the agreement with the film-production company was made on January 19th, 1951.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS FARR, ROSE & GAY, Chartered Accountants, of Friars House, 39–41 New Broad Street, London EC2, announce that they have admitted into partnership Mr BARRY M. ORKIN, A.C.A., and Mr RAYMOND W. PREEDY, A.C.A.

MESSRS PETER GREGSON & CO, Chartered Accountants, of 9 Chapel Walks, Manchester 2, announce that Mr B. R. ACTON-BROWNE, A.C.A., who has been associated with the firm for a number of years, has been admitted to partnership. The name of the firm remains unchanged.

MESSRS SURMAN, LEAT, PHILLIPS, GALE & CO, Chartered Accountants, of 31 King's Road, Sloane Square, London SW3, announce that Mr J. H. GALE, F.C.A., by mutual agreement with the remaining partners, left the partnership on August 31st, 1964, in order to practise under the name of GALE AND PARTNERS, Chartered Accountants, of Imperial Court, Basil Street, Knightsbridge, London SW3. The practice of the remaining partners will continue to be carried on under the name of SURMAN, LEAT & CO, at the same address as before.

Appointments

Mr R. H. Baguley, A.C.A., has been appointed accountant at the Royal Venton Works, Middlewich, Cheshire, of John Steventon & Sons Ltd.

Mr D. J. Byles, A.A.C.C.A., has been appointed a director of Cussons Sons & Co Ltd. He will retain the position of secretary of that company, but has resigned as secretary of Cussons (International) Ltd.

Mr David V. Bull, A.A.C.C.A., will take up the appointment of Lecturer in Management Studies at Harlow Technical College on September 1st, 1964.

Mr R. S. Fowles, A.A.C.C.A., group accountant, of Matthew Hodder Ltd, has been appointed joint secretary of the company. He will continue to act as group accountant.

Sir Harold Gillett, Bt, M.C., F.C.A., has been appointed to the board of Wailes Dove Bitumastic Ltd, and, with effect from September 1st, 1964, will become chairman of the company.

Mr Donald Gordon, C.A., chief accountant, of Cooper McDougall & Robertson Ltd, has been appointed a director of the company as from September 1st, 1964.

Mr D. K. G. Morgan, F.C.A., has been appointed managing director of The Austin-Hall Group Ltd, and Mr J. L. Parkin, A.C.A., formerly joint secretary of the company with Mr Morgan, now continues as secretary.

Mr W. G. Northon, F.C.A., A.C.W.A., has been appointed chief accountant to Tecalemit (Engineering) Ltd, Plymouth.

Mr. C. A. Nuttall, F.C.A., chief accountant of Telefusion Ltd, has been appointed a director of the company.

Lieut-Col R. E. Petty, A.A.C.C.A., has been appointed to the organization and method department of the Ministry of Defence with responsibility for costing policy in the army department.

Mr L. R. Price, F.C.A., has been appointed managing director E.D.P. Europe of Honeywell Controls Ltd.

Mr T. B. Pritchard, F.C.A., has been appointed treasurer of the British Aircraft Corporation. He has also been appointed to the board of British Aircraft Corporation (Operating) Ltd as deputy financial director.

OBITUARY

Sir John L. Somerville, F.R.S.E., C.A.

We announce with regret the death last Monday, of Sir John L. Somerville, F.R.S.E., C.A., a Past President of The Institute of Chartered Accountants of Scotland, senior partner of Messrs Wallace & Somerville, Chartered Accountants, of Edinburgh.

Born in 1885 and educated at George Watson's Boys' College, Edinburgh, he served his apprenticeship with Messrs A. & J. Robertson, Chartered Accountants, Edinburgh, and was admitted a member of the Society of Accountants in Edinburgh in 1909. Shortly afterwards he went into partnership with the late Mr D. E. Wallace, C.A., F.F.A., under the firm name of D. E. Wallace & Somerville, now Wallace & Somerville.

As a Territorial Army officer, he saw much active service in France in the First World War. After his discharge, with his health impaired by his service, he took up farming for a short time, but later he recovered completely and rejoined his firm. His experience in farming proved of value to him in his professional life.

From 1933 to 1937 Mr Somerville (as he then was) was a member of Council of The Society of Accountants in Edinburgh. He was again elected a member of Council in February 1951 and remained on the Council when, later that year, the three Scottish bodies became The Institute of Chartered Accountants of Scotland. In the following year he was elected Vice-President of the Scottish Institute, and he was President from 1953 to 1955. The centenary of the Institute, in June 1954, following the conferment of knighthood on him in the Birthday Honours that year, was the highlight of Sir John's term of office as President.

For many years Sir John was the auditor of the University of Edinburgh, and had formerly been auditor of the County of Fife. He was a director of a number of companies and was closely connected with the building society movement in Scotland, and at the time of his death was Honorary President of the Edinburgh Building Society.

Sir John had many other interests. He was elected a Fellow of the Royal Society of Edinburgh in 1933 and was on the Board of Management of the Royal Infirmary. He was interested in sport, especially golf, shooting and fishing, and was a member of the Royal and Ancient Golf Club, serving on several of its committees, and in 1957 he won the Kangaroo's Paw, at the age of 72.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 1 p.m. on Monday next, September 7th, in the vestry of St Mary Woolnoth Church, King William Street, London, EC3. The scripture for reading and thought will be Romans, Chapter 14, verse 17.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Members' Library

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

Caer Rhun Hall Manual Part II: Hire Purchase: Returnable Containers: Consignment Accounts etc.; by V. R. Anderson. Conway. 1964. [Loose-leaf]. (Anderson, 25*s.*)

Linear Programming: methods and applications; by S. I. Gass. Second edition. New York. 1964. (McGraw-Hill, 69*s* 6*d.*)

Managerial Long-range Planning: edited by G. A. Steiner. New York. 1963. (McGraw-Hill, 62*s.*)

Manual of Computer Systems; edited by B. A. Maynard, F.C.A. Four volumes. (1964). [Loose-leaf]. (Gee, £48 12*s.*)

The Nuffield Story; by R. Jackson. 1964. (Frederick Muller, 30*s.*)

Operational Research in Management; by R. T. Eddison, K. Pennycuick and B. H. P. Rivett. 1962. (English Universities Press, 25*s.*)

Parry's Valuation Tables; by R. Parry: eighth edition by P. H. White. 1958. Supplement 1959. (Estates Gazette, 45*s* and 6*s.*)

People, Productivity and Progress: obtaining results through share of production plans; by F. R. Bentley. 1964. (Business Publications, 35*s.*)

The Principles of Incentives for the Construction Industry. (Advisory Service for the Building Industry.) 1963. (A.S. for the B.I., 13*s* 6*d.*)

The Qualifying Associations: a study in professionalization; by G. Millerson. 1964. (Routledge & Kegan Paul, 42*s.*)

Working Capital; by C. Park and J. W. Gladson. New York. 1963. (Macmillan, 60*s.*)

REVISED FEES FOR RENEWAL OF PATENTS

Rules were published by the Board of Trade this week under which higher fees will be charged for the renewal of patents due to expire on or after November 1st, 1964, and from that date there will be a general increase in miscellaneous patent and design fees. Rules which the Board of Trade intend to make regarding trade-mark fees are also published and under them the renewal, registration and most miscellaneous fees will be increased.

Renewal fees are being increased by amounts varying from £1 for the fifth year of the life of a patent to £10 for the final (sixteenth) year. The new renewal fee in respect of the fifth year will be £6 and in respect of the final year £30. The trade-marks renewal fee is being increased from £6 to £10 and the registration fee from £4 to £5.

There is no change in the fees payable on application for patents, designs or trade-marks.

Copies of the rules are obtainable from H.M.S.O., as follows:

Patents (Amendment No. 2) Rules 1964 No. 1337, price 8d; Designs (Amendment No. 2) Rules 1964 No. 1336, price 5*d*; Draft of Trade Marks (Amendment No. 2) Rules, price 1*s*, postage 3*d* each.

NORTHERN SOCIETY OF CHARTERED ACCOUNTANTS

Mr Donald Bewick Ward, M.B.E., F.C.A., has been elected President of the Northern Society of Chartered Accountants which has its headquarters in Newcastle upon Tyne and covers Northumberland, Durham, the North Riding of Yorkshire, Cumberland and part of Westmorland.

Mr Ward was born and educated in Sunderland and served his articles in Newcastle with Mr J. A. Crisp, T.D., F.C.A., the partner of his great uncle, the late Mr Percy F. Ward, F.C.A. He was admitted to membership of The Institute of Chartered Accountants in England and Wales in 1939. During the Second World War he served in the Royal Navy from September 1939 to July 1946, principally with the Home Fleet, in Russia and in the Far East, attaining the rank of Lieutenant-Commander (S) R.N.V.R. On demobilization he joined the staff of Peat, Marwick, Mitchell & Co, Newcastle, and became a partner in the firm's north-east coast practice in 1951.

He is vice-president of the Tees-side Chamber of Commerce and chairman of its Taxation and Rating Committee and honorary treasurer of the Tees-side Cheshire Home at Marske Hall. Mr Ward's principal relaxation is golf and he is the vice-captain of Middlesbrough Golf Club.

Other officers of the Society have been elected for the ensuing year as follows:

Vice-President: Mr S. A. Middleton, F.C.A.

Hon. Secretary: Mr R. W. Thoburn, F.C.A., Messrs Ridley and Ridley, 12 Windsor Terrace, Newcastle upon Tyne 2.

Hon. Treasurer: Mr T. M. Sadler, F.C.A.

Assistant Hon. Secretary: Mr G. Whitehead, A.C.A.

Hon. Dinner Secretary: Mr R. L. Mills, F.C.A.

Annual Report

The Committee's annual report for the year ended December 31st, 1963, shows that membership of the Society decreased over the year by sixteen, making a total of 706. Of these, 193 were members of the Society's North Yorkshire and South Durham Branch, and eighty-one were members of the Society's Cumberland Branch.

Five informal luncheon meetings were held by the parent society at Newcastle and Sunderland, all of which were well attended and talks were given on a variety of subjects. Social functions in the year under review included a well-attended 'pot pie' supper with local Inspectors of Taxes and the Society's annual dinner attended by nearly 350 members and guests. The annual golf meeting was held at Brancepath and additional matches were played against the Newcastle upon Tyne Incorporated Law Society and H.M. Inspectors of Taxes.

The North Yorkshire and South Durham Branch held four lecture meetings during the year, all of which were well attended. The annual dinner took place in November when 168 members and guests were present. Following the Institute's encouragement of oral instruction at local colleges for further education, the report states that the Committee is giving close consideration to this development and it is intended to hold an introductory course for articled clerks this October.

Referring to the activities of the Cumberland Branch, the report expresses satisfaction at the attendance at lecture meetings. The residential course at Durham University was attended by twenty-eight students from Cumberland and there was a total of forty-four students at a course held at the Carlisle Technical College. Other activities included the annual ball held at Keswick and three successful golf meetings.

MANCHESTER SOCIETY OF CHARTERED ACCOUNTANTS

Residential Course

The ninth residential revision course to be arranged by the Education Committee of the Manchester Society of Chartered Accountants is to be held during the period September 21st to 25th, at Lyme Hall, near Stockport.

The primary object of the course is to assist members of the Manchester, Preston and Blackpool students' societies in their pre-examination revision. The Intermediate lectures will be based on the syllabus of the Institute's old Intermediate examination to be held in November.

The subjects covered by the syllabus will be dealt with by a variety of lecturers and a separate series of lectures will be given for Intermediate and Final candidates. In addition there will be opportunities for discussion with the lecturers and a resident tutor will be available throughout the course. Students who have attended previous courses have found them to be of great value and it is therefore hoped that the fullest use will be made of this facility for pre-examination study.

The fee is £13 2*s* 6*d* and this covers all charges in respect of tuition, board and lodging; a further 5*s* will be charged to members who use the special bus which is arranged for the journey from Manchester to Lyme Hall and return. Further details are available from the Assistant Secretary, 46 Fountain Street, Manchester 2.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

RESULTS OF EXAMINATIONS

The following candidates were successful in the examinations held in June and July, 1964

PART I

Allen, A. McD. (Newtownabbey, Co. Antrim)
Allen, M. D. (Dublin)

Bergin, E. A. (Dublin)
Bouchier-Hayes, J. D. (Dublin)
Bowles, P. D. (Dalkey, Co. Dublin)
Burrows, G. R. (Malahide, Co. Dublin), (*Second Place*)

Callaghan, M. F. (Stillorgan, Co. Dublin)
Cavanagh, H. J. (Foxrock, Co. Dublin) (*Third Place equal*)
Coleman, V. (Belfast)
Cousins, J. (Shankill, Co. Dublin)
Cowley, M. F. (Dublin)
Cullen, J. A. (Dublin)
Curran, M. J. (Dublin)
Cusack, T. V. (Dublin)

Daly, G. E. (Tramore, Co. Waterford)
Dillon, J. B. (Dublin)
Doddy, J. P. (Dublin)
Donnelly, J. A. (Maynooth, Co. Kildare)
Dunlevy, R. A. (Dublin)

Essame, A. N. (Waterford)

Fitzgerald, V. E. (Dublin)

Glynn, F. M. (Miss) (Dublin) (*First Place*)
Good, B. A. (Waterford)
Grier, D. T. (Dublin)
Guilfoyle, D. P. (Dublin)

Harris, W. R. (Dublin)
Hilliard, J. B. (Dublin)
Hughes, P. K. (Dublin)

Johnston, R. A. (Belfast)

Kelly, F. N. A. (Waterford)
Knox, W. M. (Belfast)

Lane, E. R. (Malahide, Co. Dublin)
Latchford, R. F. (Dublin)
Little, N. E. (Belfast)
Lynchehaun, J. D. (Newry, Co. Down)

MacCarthy, C. P. (Cork)
McClintock, M. J. (Limerick)
McCormick, J. J. (Kilcock, Co. Kildare)
McCutcheon, R. I. (Bandon, Co. Cork)
McDonagh, K. F. (Dublin)
McGladery, S. T. (Belfast)
McGuigan, E. (Hillsborough, Co. Down)
McNulty, T. R. (Dromore, Co. Tyrone)
Mara, J. E. (Dublin)
Martin, R. S. (Belfast)
Mason, P. J. (Dublin)
Mathews, T. S. (Dublin)
Maxwell, T. A. (Lanesboro, Co. Longford)
Modler, J. (Miss) (Belfast)
Moran, B. M. (Dublin)
Mullock, C. D. (Dublin)
Mullock, P. H. (Dublin)
Murray, J. S. (Belfast)

Newman, A. J. (Dublin)

O'Connor, A. F. (Howth, Co. Dublin)
O'Hara, D. V. (Belfast)
O'Reilly, P. D. (Limerick)
O'Rourke, T. G. (Dublin)
O'Siochain, D. B. (Dublin) (*Third Place equal*)

Palmer, A. J. (Sligo)
Phillips, P. E. (Dublin)
Power, W. I. (Belfast)

Rankin, D. C. (Belfast)
Rodgers, P. J. (Limerick)
Ross, K. B. (Whitehead, Co. Antrim)
Ryan, T. K. (Dublin)

Semple, M. G. M. (Dublin)
Shaw, J. M. (Belfast)
Silcock, E. B. (Lurgan, Co. Armagh)
Spring, F. J. (Dublin)
Stein, R. J. (Dublin) (*Third Place equal*)
Stewart, R. W. (Limerick)

Taylor, S. R. (Straffan, Co. Kildare)

Walsh, D. A. (Cork)
Whitaker, P. (Lisburn, Co. Antrim)

97 candidates failed to satisfy the examiner

PART II

Armstrong, D. C. (Belfast)

Bagnall, C. P. (Dublin)
Barrett, D. J. (Cork)
Barrett, W. F. (Dublin)
Bell, A. S. (Belfast)
Bell, E. G. (Belfast)
Blair, N. T. (Dublin)
Bolger, M. J. K. (Wexford)
Brennan, J. P. (Dublin)
Briggs, D. G. (Newtownabbey, Co. Antrim)
Bryan, N. J. (Dublin)
Burnside, R. J. (Belfast)
Butler, S. J. (Dublin)
Butterfield, M. C. (Belfast)
Butterly, B. V. (Rush, Co. Dublin)

Cassidy, F. G. (Clondalkin, Co. Dublin)
Chambers. D. J. (Limerick)
Clapham, R. D. (Dublin)
Clarke, J. P. (Dublin)
Codyre, M. J. (Dublin)
Collins, D. F. (Dublin)
Colvin, G. R. (Belfast)
Cotter, B. E. (Dublin)
Cremin, P. C. (Dublin)

Davidson, P. A. (Belfast)
Dickson, D. J. (Belfast)
Doorly, T. J. (Dublin)
Dromgoole, D. E. (Dublin)
Dunlea, F. M. (Dublin)
Dunne, T. J. (Dublin)

Ennis, D. P. (Dublin)
Erondu, B. M. O. (Dublin)

Finegan, A. P. (Navan)
Finegan, J. J. (Navan)
Fitz-Simons, J. M. (Belfast)
Fortune, L. K. (Bray, Co. Wicklow)

Gibson, A. J. (Belfast)
Gilhawley, S. (Sligo)
Gorman, W. J. (Dublin)
Gray, R. H. (Belfast)

Hanan, W. R. (Dublin) *First Place and the John Mackie Memorial Prize*)
Holmes, R. D. (Dublin)
Hunt, M. G. (Bray, Co. Wicklow)
Hurley, J. G. (Limerick)

Kelly, V. (Dublin)
Keveny, J. J. (Sligo)
King, K. J. (Dublin)
Kirwan, L. C. (Dublin)

Lauder, C. H. (Larne, Co. Antrim)
Leeson, N. H. (Dublin)
Lindsay, I. H. (Coleraine, Co. Londonderry)
Lynch, F. W. (Dublin)
Lynch, M. J. (Dublin)
Lynch, T. (Donaghadee, Co. Down)

McClay, A. J. (Belfast)
McCullagh, A. W. (Dublin)
McCulloch, T. J. (Belfast)
McDonald, P. J. (Dublin)
MacEvilly, T. N. (Sligo)
McGahon, D. J. (Dublin
MacGoey, S. S. (Dublin) (*Third Place*)
McIntyre, R. S. (Lisburn, Co. Antrim)
McLoughlin, P. (Dublin)
McNally, J. S. (Larne, Co. Antrim)
McQuitty, R. J. (Belfast)
McTeigue, P. F. (Dublin)
Mahony, M. B. (Cork)
Malcolm, P. J. (Dublin)
Meharry, G. (Belfast)
Moore, J. F. (Dublin)
Moore, J. G. (Mullingar, Co. Westmeath)
Murphy, J. M. (Dublin)

Naismith, W. P. (Dublin)
Nolan, C. J. (Monkstown, Co. Dublin)

O'Brien, T. H. (Dublin)
O'Carroll, N. D. (Dublin)
O'Cearbhaill, C. (Dublin)
O'Sullivan, D. J. (Dublin) (*Second Place*)

Pattison, J. M. (Kilkenny)
Perry, F. J. (Dublin)
Powell, R. A. (Dublin)

Rice, P. D. (Newry, Co. Down)
Roughan, J. P. (Sligo)
Russell, D. K. (Bray, Co. Wicklow)

Shannon, J., (Downpatrick, Co. Down)
Slattery, D. J. (Dublin)
Smyth, P. D. (Maynooth, Co. Kildare)
Spellman, M. G. (Dublin)
Spence, L. H. (Armagh)
Staunton, W. (Castlebar, Co. Mayo)

Vaughan, R. B. (Dublin)

Watt, W. B. (Belfast)
Whitty, P. (Dublin)
Wine, D. (Dublin)

139 candidates failed to satisfy the examiners

PART III

Aitken, H. E. (Carrickfergus, Co. Antrim)

Bolton, J. F. M. (Belfast)
Boyce, R. B. (Dublin)
Boylan, D. M. (Dublin)
Brennan, C. M. (Galway)

Cameron, J. C. (Belfast)
Clarke, J. L. (Belfast)
Coleman, T. A. (Dublin)
Cooper, W. S. (Belfast)
Cotter, J. B. (Dublin)
Coyle, D. C. (Dublin)
Crowe, A. R. (Belfast)
Crowley, J. A. (Cork)

Davy, J. D. (Dublin)
Delaney, D. (Dun Laoghaire, Co. Dublin)
Dougan, T. E. (Belfast)
Duignan, V. (Dublin)

Ekin, T. A. (Belfast)
Entwistle, R. M. (Belfast)

Faherty, J. (Dublin)
Fallon, C. H. (Dublin)
Ferguson, A. J. (Belfast)

Gallagher, T. J. (Belfast)
Gilligan, F. W. (Dublin)
Grace, E. (Dublin)
Greely, J. P. (Naas, Co. Kildare)

Hall, S. G. (Belfast)
Hampson, D. A. (Dublin)
Harrison, P. J. (Sligo)
Hashim, A. (Dublin)
Healy, M. A. (Dublin)
Hirst, W. H. (Belfast)
Hodkinson, B. B. (Dublin)
Hunter, M. H. (Belfast)
Hyland, S. G. (Dublin)

James, G. H. (Belfast)
Johnston, E. I. (Belfast) (*First Place and the Arthur H. Muir Memorial Prize*)

Kennedy, P. (Belfast)
Kinahan, P. J. (Dublin)

Lawless, P. J. (Dublin)
Ledwidge, F. (Belfast) (*Third Place*)

McDowell, W. R. (Armagh)
McHugh, P. F. (Dublin)
McKenna, K. F. (Dublin)
McMaster, W. J. (Muckamore, Co. Antrim)
Mann, P. W. (Dublin)
Milne, P. J. (Dublin)

Naughton, T. (Dublin)
Norton, K. B. (Dublin)

O'Brien, B. (Dublin)
O'Donnell, M. N. (Dublin)
O'Flynn, C. P. (Dublin)
O'Flynn, P. C. (Dublin
O'Higgins, T. J. (Dublin)
O'Neill, E. A. (Dublin)
O'Sullivan, D. (Cork)

Quinn, L. G. (Dublin)

Rose, M. B. (Belfast)
Rubbathan, A. W. (Dublin)
Ryan, D. G. (Dublin)
Ryan, E. M. (Dublin)

Sheridan, H. P. (Dublin)
Solomons, G. L. (Cultra, Co. Down)
Spain, M. G. (Thurles, Co. Tipperary)
Stubbings, R. E. (Dublin)

Varian, M. R. (Glenageary, Co. Dublin)
Vaughan, M. B. (Dublin)

Wadsworth, J. L. (Belfast)
Wajib, J. M. (Belfast)
Walsh, T. A. (Galway)
Wilkinson, K. W. (Belfast)
Wilson. W. G. (Belfast) (*Second Place*)
Wright, T. J. (Dublin)
Wrixon, R. M. (Cork)

88 candidates failed to satisfy the examiners

PART IV

Abia, E. C. (Dublin)

Balmer, R. C. (Dublin
Brewster, I. (Coleraine, Co. Derry)
Brown, J. P. (Dublin)

Callaghan, J. E. (Dublin)
Candon, M. (Dublin)
Cannon, J. F. (Dublin)
Carroll, S. N. (Dublin)
Chandler, A. F. (Cork) (*Third Place*)
Collins, J. K. (Lucan, Co. Dublin)
Costello, M. A. (Dublin)
Cruise, V. H. (Dublin)

Davidson, F. F. (Belfast)
DeGroot, E. J. (Bray, Co. Wicklow)

Eakin, J. W. (Omagh, Co. Tyrone)
Edgar, G. R. (Greyabbey, Co. Down)

Feely, R. P. (Dublin)
Fitzsimons, J. G. (Newry, Co. Down)
Flanagan, T. P. (Ballinasloe, Co. Galway)
Furlong, J. J. (Dublin)

Geary, J. W. (Limerick)
Geraghty, M. W. (Newbridge, Co. Kildare)
Gibson, H. J. (Belfast)
Gilliland, R. T. (Belfast) (*First Place and the Samuel Smyth Memorial Prize*)
Grant, P. C. (Dublin
Greene, E. (Dublin)
Gribbon, E. J. (Belfast) (*Second Place*)
Gubbins, S. A. (Limerick)

Henry, W. H. (Ballymena, Co. Antrim)
Hewat, J. R. (Shankill, Co. Dublin)

Kavanagh, J. P. (Howth, Co. Dublin)
Kelly, T. E. (Dublin)
Kennedy, B. M. (Dublin)
Kiernan, T. J. (Cork)

McCabe, H. (Ballymena, Co. Antrim)
McCarthy, J. D. (Dublin)
McCormick, G. A. (Dublin)
McCrossan, D. P. (Dublin)
McCullagh, D. F. (Dublin)
McGahon, N. P. (Dublin)
McKay, W. F. (Newtownards, Co. Down)
McNeice, T. E. (Toomebridge, Co. Antrim)
Maybury, C. S. (Dublin)

Mulholland, J. E. (Belfast)
Murphy, J. D. (Dalkey, Co. Dublin)

O'Brien, E. B. (Cork)
O'Brien, J. G. (Dublin)
O'Driscoll, J. J. (Dublin)
O'Duffy, S. P. (Dublin)
O'Loghlen, R. A. (Dublin)
O'Shea, R. J. (Carnew, Co. Wicklow)
O'Tierney, F. J. (Dublin)

Power, W. P. (Tramore, Co. Waterford)
Prescott, W. R. (Newry, Co. Down)
Purdy, G. E. (Belfast)

Quinn, T. S. (Sligo)

Ryan, C. (Dublin)

Scott, R. A. (Dun Laoghaire, Co. Dublin)

Taylor, J. F. (Bangor, Co. Down)

Whooley, D. J. (Dublin)

109 candidates failed to satisfy the examiners

PART V

Armstrong, D. E. (Carryduff, Co. Down)

Bourke, C. P. (Dublin)
Burke, J. J. (London)
Byrne, J. G. (Dublin)
Byrne, R. A. (Shankill, Co. Dublin)

Cahill, E. P. (Dublin)
Carroll, R. H. (Dublin)
Cawley, G. G. F. (Sligo)
Collins, D. F. (Cork)
Crawford, W. A. (Belfast)

Dalton, C. A. (Cork)

Gould, M. (Kilkenny)

Harkness, G. D. (Belfast) (*First Place and the Incorporated Society Jubilee Prize*)
Hasson, C. (Belfast)
Higgins, T. P. (Dublin)

Keenan, J. J. (Dublin)
Kelly, H. H. (Belfast)
Kennedy, J. J. (Dublin)
Kennedy, R. F. (Ballymena, Co. Antrim)

Layden, D. J. (Dublin)
Ledlie, M. (Banbridge, Co. Down)

McClung, R. (Belfast)
McGoran, K. C. (Shannon, Co. Clare)
MacGuigan, J. M. (Dublin)
Meagher, J. H. (Cork)
Mitchell, J. F. (Dublin)
Morrow, G. (Belfast)
Murphy, D. A. (Mallow, Co. Cork)
Myles, D. L. R. (Belfast)

Nixon, G. A. (Newtownards, Co. Down)

O'Neill, F. S. (Howth, Co. Dublin)

Reilly, D. W. (Lisburn, Co. Antrim)
Reynolds, A. V. (Miss) (Dublin)

Scott, J. E. (Belfast)

Taylor, M. W. (Dublin)
Vance, D. U. (Belfast)

Watson, G. A. (Dublin) (*Third Place*)
Welton, R. O. (Belfast) (*Second Place*)

83 candidates failed to satisfy the examiner

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE ACCOUNTANT

ESTABLISHED 1874

SEPTEMBER 12TH, 1964 VOL. CLI. NO. 4682

CONTENTS

Challenge to Accountants

THE brief flurry of financial mishaps during recent months has marred the image of private enterprise at a time when it is likely that it will once again become the whipping boy in a national electoral battle, and with attention thus focused on the workings of the joint stock system it is inevitable that much of the criticism should be concentrated on the inadequacy of the present legal requirements relating to disclosure in company accounts.

That the public accountability of private enterprise should become the subject of wider debate is no bad thing in itself as efficient accounting and reporting is a very effective early warning system of impending trouble, and it has therefore been all the more interesting to follow the correspondence on the subject of company reports in the columns of *The Financial Times* over the past few weeks. The diversity of views have verged from vaguely defensive to downright critical – and it must be noted that a lot of the criticism has been indirectly of the accountancy profession.

Inevitably when this sort of discussion takes place some of the arguments used are based on a misunderstanding of accounting conventions and practice or lack of realization of the restrictions imposed by the demands of company and revenue law, but when all possible allowances have been made the profession is left with a fair measure of responsibility for interpreting and communicating financial information in a form that will be reasonably comprehensible to the intelligent layman.

The vigorous tone of many of the correspondents' letters is a manifestation of the strong surge of opinion in favour of fuller disclosure in accounts that has gained momentum over the past few years. In financial circles there has been much clearly expressed impatience that the Government did not find time during the life of the present Parliament to debate and legislate on the recommendations made by the Jenkins Committee. A notable measure of this concern has been the recent letter sent by the Chairman of the London Stock Exchange Council to chairmen of quoted companies in which he outlined the requirements to be observed in published accounts before a quotation is granted for future issues. Although one or two company chairmen have already made known their disagreement with some of the proposed regulations there is little doubt that the weight of financial public opinion is behind the Stock Exchange Council. However, this still leaves plenty of room for honest argument as to the precise form in which this information should be given and it is certain that the views of accountants will be sought when the finer

points of presentation come to be thrashed out.

At a time when the movement towards more informative company reporting has taken this unexpected and welcome forward step it is not out of place to look for a moment at the profession's part in these developments. The fact that we have already commented recently on this aspect does not deter us from returning to the subject.

Accountants can rightly claim that they are the acknowledged experts on the compilation and presentation of company accounts and yet, as recent events have shown, the present impetus towards higher standards of accounting has come from the City and the Stock Exchange rather than from the profession itself. This is not, of course, to deny or belittle the efforts of accountants, corporately or individually, over many years past. We have already drawn attention to the enormous influence exerted by the English Institute's recommendations on accounting principles and the reforms suggested by the various professional bodies when submitting their written and oral evidence to the Jenkins Committee. Individual accountants have offered their own ideas in the columns of this and other journals and our own Annual Awards have done much to encourage voluntary effort. However, the point must be made that recent stimulus to reform has come from outside the accountancy profession.

It is a matter of deep concern to accountants that they should remain in the vanguard of the reforming influences if the profession is to maintain public respect, but it is a position that cannot be taken for granted because of the increasing trend towards appointing non-accountants to perform some of the financial functions that were at one time thought to be its own preserve. The company economist is no longer the rare bird he used to be and the services of the mathematician are in increasing demand – and these experts in another discipline are more and more to be found concerning themselves with one or other of the many facets of company finance. Actuaries and investment analysts are often called upon to apply their esoteric 'know-how' to problems of financial appraisal, and in the management consultancy profession experts from varied fields are encountered giving their advice on financial and cost accounting systems. The business schools, soon to be established, will produce their own brand of experts who will undoubtedly make their own contribution to the financial management of the firms they ultimately serve. *The Economist*, that shrewd observer of the professional scene, in commenting on the Joint Diploma in Management Accounting remarked that the hegemony of the accountant is already being challenged by other experts.

Accountants will face this challenge but they should examine closely the problem of how best they can contribute to the developments that will take place in all areas that impinge on the financial management of industry, be it privately run or State-owned.

The correspondence in *The Financial Times* has shown that to many people the image of the accountant is rather blurred and smudgy and this impression was probably heightened by the fact that some of those accountants who joined in the debate were unable to agree on such points as defining capital employed. Intellectual differences of opinion are a healthy sign for any profession but there comes a time when meeting points of the mind must be reached if the business community is not to lose patience and turn to others for a solution to its problems. The principal lesson to be learned from the correspondence is that there is still a need for clearer explanations of the meaning of the figures in the accounts, and it is to this that accountants should address themselves. Part of the problem is that a balance sheet means different things to different people – to some it is a statement of stewardship and to others a statement of value. How do we reconcile this contradiction?

There are many starting-points for the rethinking that must come and some were offered by Professor BAXTER in his recent series of articles published in this journal under the title 'The future of the accountant'. Other interesting ideas bearing on the auditor's degree of responsibility are put forward in an article in this issue by Mr C. A. WHITTINGTON-SMITH, entitled 'The auditor's report – past, present and future.' In this election year the word 'innovation' has suffered a devaluation of its meaning, but if accountants are to retain the confidence and goodwill they have built up over the years they must not scorn new approaches to old problems and even, if necessary, borrow from others some of the techniques that may be needed for the task.

Stock-in-trade and Income Tax

by H. S. A. MACNAIR, F.C.A.

THE place of stock-in-trade in the computation of profits for income tax purposes is one which appears to have developed gradually. From the explanations given by Lord Reid in *Duple Motor Bodies Ltd v. Ostime* (40 A.T.C. 21; 39 T.C. 537) it seems that at one time it was common to ignore the stock-in-trade and work in progress but that long ago it became customary to take trading stock into account for the reason that a material increase in the amount of this item over the period indicated the retention, in the form of tangible assets, of sums which would otherwise have increased the cash assets denoting profits. This principle was later extended to work in progress in recognition of the fact that the transition from partly completed work to finished stock could not reasonably be effected all at once so that it became customary to measure and value its progressive growth.

It was in 1926 that the classic dictum of Lord Clyde was enunciated in *Whimster & Co v. C.I.R.* (4 A.T.C. 570; 12 T.C. 813). This laid down the twofold principle that profits for tax purposes represent the excess of receipts during the year over the expenditure laid out to earn them while the ascertainment of that excess must be carried out consistently with the ordinary principles of commercial accounting, of which an essential ingredient lies in the introduction of the opening and closing stock values at the lower of cost or market value.

Cost or Market Value

In the course of time this simple formula has been elaborated through various refinements. Thus in *C.I.R. v. Cock Russell & Co Ltd* (28 A.T.C. 393; 29 T.C. 387) the Revenue contended that the aggregate stock should be valued at either cost or market value but it was held that the taxpayer is entitled to exercise his choice of basis item by item.

Again, the instruction to correlate receipts with the expenses incurred to earn them should not be construed too literally, with a view to matching up the two sides of the equation in the mechanical manner attempted by the inspector in *Vallambrosa Rubber Co Ltd v. Farmer* (5 T.C. 529). Instead, the income generated by the business as a going concern is to be related to the expenditure incurred to maintain it as such so that, as Lord Reid stated in the *Duple* case, it matters not that certain expenditure may have proved abortive, or may have been spent solely with a view to production and profit in some future year and have no relation at all to production during the year of account.

For this reason it is erroneous to expect to find that all expenditure during the period has its reflection in the closing valuation of work in progress and it cannot necessarily be required of the taxpayer that he should include indirect costs in his measurement of that item. Indeed, there may be direct expenses of holding stock which are distinguishable only with difficulty from its actual cost but which nevertheless do not come within the meaning of this term (*Ryan v. Asia Mill Ltd* (30 A.T.C. 110; 32 T.C. 275)).

Methods of Valuation

The *Duple* case did not establish any right on the part of the taxpayer to choose the method of valuing 'cost' which suited him best nor did the House of Lords accept a suggestion that alternative methods of valuation could produce correct answers in a single year. Moreover certain methods have been specifically condemned in the past. In *Patrick v. Broadstone Mills Ltd* (32 A.T.C. 464; 35 T.C. 44) a company had used the base stock method with the same degree of consistency as that recorded for the direct cost method in *Duple Motor Bodies Ltd.* Its rejection as an acceptable basis for tax purposes owed much to the fact that it did not allow the Revenue to collect tax to any extent on the element of profit produced by inflation in the base stock values which gave no recognition to the circumstance that the material content was wholly turned over in the accounting period.

Again, in the Canadian case of *Minister of National Revenue v. Anaconda American Brass Ltd* (34 A.T.C. 330), the LIFO method of valuing stock was found inadmissible for a similar reason, namely, that in the absence of a quantitative

reduction, a substantial element of the stock was valued at prices ruling many years previously although here again the physical stock to which the prices related was not featured in current holdings. It is interesting to note that in the latter case the Privy Council gave a qualified approval to the use of the average cost and FIFO methods, both of which to some extent make use of the prices and materials historically recorded in relation to the actual stocks on hand at the closing date of the accounting period.

The recommendations issued by The Institute of Chartered Accountants in England and Wales have been quoted in the Courts as evidence of accounting opinion as to what the principles of ordinary commercial accounting are. It is important to bear in mind, however, that the establishment of any given method of stock valuation as valid from a commercial standpoint does not guarantee its acceptability for tax purposes. In this connection the publication of 'Recommendation 22' in 1960 led to an expression of Revenue opinion as to its acceptability (*The Accountant*, May 13th, 1961) with particular reference to 'net realizable value'. This was defined by the Institute as the amount which it is estimated, as on the balance sheet date, will be realized from the disposal of the stock in the ordinary course of business, either in its existing condition or as incorporated in the product normally sold, after allowing for all expenditure to be incurred on or before disposal.

It is the last nine words which give rise to a reservation on the part of the Revenue who do not agree, as a matter of principle, that general selling costs to be incurred in the future should be allowed for. However, in certain circumstances they would be prepared to accept a deduction for specific identifiable items of expenditure directly connected with the stock in question, including provision for commission and brokerage which have to be incurred on sale.

Replacement Price

Recommendation 22 suggests that replacement price may be a valid guide to net realizable value, meaning for this purpose an estimate of the amount for which, in the ordinary course of business, the stock could have been acquired or produced either at the balance sheet date or during the latest period to that date.

The Revenue objection to replacement price is that it may be less than actual cost where no loss is expected but only a smaller profit, and for that reason they do not regard it as generally acceptable, except in the case of stocks of raw materials awaiting processing. The Revenue would be prepared to extend this basis to stock in process and finished stock, in trades where selling prices move closely in sympathy with raw material prices that are liable to considerable fluctuation and where the material forms a high proportion of the total value.

A special problem arises in the retail drapery trade, particularly in the case of department stores, where the attribution of a cost figure to each article may be either impossible or impracticable. In such cases the practice is to value at selling price less the normal departmental markup. The Revenue have made known their acceptance of this method (*The Accountant*, June 17th, 1961) although they are not prepared to accept strained variations, e.g. where the trader starts his computation not with marked prices but some lower selling prices, since it is considered that such interpretations lead to undervaluation whereas in a genuine case it is anticipated that undervaluations in some lines will be cancelled by overvaluations in others.

Change of Basis

In the face of so varied a selection of methods of valuing stock, the question arises as to what income tax consequences flow from a change of basis. The Indian case of *Ahmedabad New Cotton Mills Co Ltd v. Bombay Commissioner* (8 A.T.C. 575) is regarded as authority for the view that the same method requires to be applied to the opening and closing valuations for a given accounting period and this is accepted by the Revenue where there is a justifiable change from one valid basis to another, e.g. when prompted by an alteration in the nature of the trade or absorption into a group. Where, however, the change amounts to no more than a greater degree of accuracy or refinement the Revenue consider that the new basis is applicable at the end of the accounting period only (*The Accountant*, November 17th, 1962). In either event the Revenue would neither seek nor permit revision of prior years.

However, in the case of a change from a non-valid to a valid basis, additional assessments would be made as required for earlier years although in the absence of fraud, wilful default or neglect, it is understood that the aggregate adjustments would not exceed the uplift in the opening stock for the latest period under review.

At the same time it appears from an Institute memorandum (*The Accountant*, April 25th, 1964) that where the adjustments involve ups and downs the Revenue may give effect to adjustments outside the six-year time limit for assessments by refusing equivalent relief by way of error or mistake claims under section 66, Income Tax Act, 1952, for years within date.

In computing the results of a trade which has been discontinued, special problems arise as to the valuation of any trading stock belonging to the trade at the discontinuance. 'Trading stock' for this purpose means property of any description, whether real or personal, being property such as is sold in the ordinary course of the trade or would be so sold if it were mature or if its manufacture, preparation or construction were complete, together with any component or process materials. In 1960 the meaning of the phrase was extended to include any services, article or material which would, if the trade were a profession or vocation, be treated as work in progress.

One criterion of the value of such stock would be the amount of any sale proceeds or valuable consideration received for a transfer. This basis is, however, permissible only if the purchaser carries on or intends to carry on a trade in the United Kingdom and the stock which he acquires will be deductible in computing his trade results. In any other case the value is to be taken as the amount which the stock would have realized if it had been sold in the open market at the discontinuance of the trade. This test has a parallel in section 7 (5) of the Finance Act, 1894, relating to estate duty and involves some degree of artificiality (see *In re Holt* (32 A.T.C. 402)), so that reference to a tribunal is necessary to establish the relevant open market value if a dispute arises. Section 143 of the Income Tax Act, 1952, gives jurisdiction in this matter to the Special Commissioners unless both parties come under the same body of General Commissioners and they do not agree to have the matter referred to the Special Commissioners. The usual formalities applicable to a Schedule D appeal are to be followed with any necessary modifications.

Vendor and Purchaser

A point to note is that it is of no avail for either vendor or purchaser to settle his tax liabilities with the Revenue without making sure that the stock values adopted by each of them at the date of transfer are in agreement. If the parties are unable to agree on a figure, it is not competent for one party to force the issue to a conclusion by means of the ordinary appeal procedure since this would lack validity unless the stock point had first been resolved at a hearing at which all parties concerned were represented (*C.I.R. v. Barr* (*No. 2*) (34 A.T.C. 350; 36 T.C. 455)).

A problem which arose in *Lions Ltd v. Gosford Furnishing Co Ltd and C.I.R.* (40 A.T.C. 429; 40 T.C. 256) concerned the position of goods on hire-purchase sold on a discontinuance at a valuation which discounted collection costs in anticipation of the benefit of future business. The agreement under which Lions Ltd sold to Gosford the assets comprised in its undertaking specified a single lump sum by way of consideration for the hire-purchase agreements with the goods to which they related. On a case stated by the Special Commissioners, whose determination had treated the whole of the lump sum as trading stock, the Court of Session held that since Lions Ltd was not accustomed to sell the rights under these agreements in the ordinary course of its business the latter did not come within the definition of stock for the purposes of the section and the case was sent back for apportionment.

Change of Ownership

The section 143 rules also apply where there is a change in the persons engaged in carrying on any trade (section 19, Finance Act, 1953), except in the case where a trade carried on by a single individual is discontinued by reason of his death. It may be mentioned here that the Revenue are prepared to apply an extra-statutory concession whereby the discontinuance provisions are not enforced (unless claimed) where a business passes on death to the trader's husband or wife who has been living with her or him. Another situation where a change of ownership occurs is that contemplated by section 17, Finance Act, 1954, as amended by section 15, of the Finance Act, 1964, and the Third Schedule to the 1954 Act (paragraph 6) makes provision for the application of the stock valuation rules in section 143.

The gradual trend in the computation of profits for income tax purposes towards the inclusion of trading stock and work in progress has its counterpart in relation to the more intangible work in progress of a profession or vocation. Section 35 of the Finance Act, 1960, introduced a scheme for the treatment to be accorded to work in progress on the permanent discontinuance of a profession or vocation which is not so very different from the

procedure laid down by section 143 of the Income Tax Act, 1952, which relates only to trades.

In this context work in progress means any services performed in the ordinary course of the profession or vocation, the performance of which was wholly or partly completed at the time of the discontinuance and for which it would be reasonable to expect that a charge would have been made on their completion if the profession or vocation had not been discontinued, together with any article produced and any such material as is used in the performance of the services. Moreover, the transfer of work in progress includes the transfer of any rights and benefits which accrue or might be reasonably expected to accrue from the carrying out of the work.

A significant distinction as compared with the procedure under section 143 is that the retiring practitioner has the right to elect, on giving notice within twelve months of discontinuance, to have the excess of the 'realization' values at that date over the cost of the relevant items dealt with not as an addition to the profits of the final period but by means of the machinery for taxing post-cessation receipts contained in section 32 of the 1960 Act. The latter was introduced to counteract the anomalies highlighted by the case of *Carson v. Cheyney's Executor* (37 A.T.C. 347; 38 T.C. 240) and discussed in Chapter 12 of the 1955 Royal Commission report (Cmd. 9474) and the principle adopted has been to tax by means of a Case VI charge (subject to earned income relief) those items which by reason of deferred collection are not included in assessments during the currency of the profession or vocation.

The decision as to whether to make such an election would no doubt be influenced by the level of income in the relevant years but it seems from section 32 (4) (*a*) that there could be an advantage in utilizing the right to set off certain losses, expenses and debits not arising directly or indirectly from the discontinuance itself.

The Auditor's Report: Past, Present and Future

by C. A. WHITTINGTON-SMITH, LL.M., F.C.A.
Senior Lecturer in charge of the Department of Accountancy and Financial Administration, University of Sheffield

If you suspect my husbandry or falsehood,
Call before me th'exactest Auditors,
And set me on the proofe.

SO said the honest steward to his master in Shakespeare's *Timon of Athens* (Act II, ii, 165). No doubt the proof in question was what the *Oxford Dictionary* describes as 'an examination or operation serving to check correctness; evidence sufficient to establish a fact or produce belief'. Examination and verification are, indeed, of the essence of any and every audit and it is a tribute to the founders and former members of the principal accountancy bodies in Britain that the word 'audit' should have acquired a popular understanding tantamount almost to a guarantee of certitude. But though the last thing, of course, that an auditor ever does is to give a guarantee of accuracy, the reputation established by our predecessors has placed fairly and squarely upon our own shoulders a professional responsibility so onerous as to be at times almost frightening.

It is a responsibility that arises not only from the standards of care and skill laid down in legal decisions on the liability of auditors, but from the far-reaching changes, technological and otherwise, which make the modern business a complex organism in which the accounting function is becoming increasingly scientific and statistical, with a growing emphasis on financial controls rather than historical profit and loss accounts and balance sheets.

Fresh Approach Needed

For the auditor, the implications of these changes are considerable and often call for a completely fresh approach to work in which new or improved techniques may in the long run be of less real significance than purposive re-direction. This, however, may be largely a matter of changing

emphasis and is to be seen, for instance, in the growing recognition that management controls, rather than fraud, should be the essential focus in the modern audit. But from this follows the further and important question: How far should changing concepts and the process of development in accounting and auditing science be reflected in the report, however brief or attenuated, in which every audit must culminate?

This question can be answered only by a correct appraisal of current trends in financial administration with their growing emphasis on budgeting and variance analysis. But to attempt this involves looking ahead, and as no trend can be properly understood without some knowledge of past development it may be useful in this connection briefly to try and trace the reflection in successive Companies Acts of this evolutionary process in auditing[1], bearing in mind that this kind of development can be brought about only by the work of pioneers willing to experiment and lead the way in the formation of what at the time may be regarded as advanced opinion, if not heresy. Indeed, it is no doubt as true of auditing as of other branches of study, to cite the words of Erasmus in a somewhat different context, that by identifying the new learning with heresy you make orthodoxy synonymous with ignorance.

Let us beware, then, of that blindness to what is happening that can arise so easily from pride and complacency with past achievement, and do everything possible to encourage boldness in the expression of that fresh thought which alone can pave the way – perhaps through eventual formulation in some official recommendation of the Council of the English Institute – to legislative enactment which must necessarily lag some distance, however short, behind the best opinion and practice.

In the Companies Act, 1864, Table A required the auditor to make a report to the shareholders which should be read at the ordinary meeting (Article 94). The bare word 'audited' or 'certified' on the balance sheet, followed by the auditor's signature, frequently sufficed to meet this simple requirement, though auditors sometimes signed balance sheets without so much as a single word of comment. It would seem, therefore, that the present hallmark of the unqualified auditor in the so-called certificate – 'audited and found correct' – is a survival of what, less than a hundred years ago, was accepted professional practice. In those days, however, there was no statutory requirement for the accounts of companies to be audited at all, unless they were banking companies registered under the Companies Act, 1879; and it was not till the passing of the Companies Act, 1900 (*vide* section 23), that audits became compulsory for all companies formed under the Companies Acts. Auditors were now required to sign a certificate at the foot of the balance sheet stating whether or not all their requirements as auditors had been complied with and to make a report to the shareholders stating whether in their opinion the balance sheet exhibited a true and correct view of the state of the company's affairs as shown by the books of the company. Uncertainty whether certificate and report were essentially one and indivisible, led to the practice of giving only a formal certificate at the foot of the balance sheet and, especially if circumstances were at all adverse, making a fuller report to shareholders in some other way; possibly without printing it.

This resulted in the enactment in the Companies (Consolidation) Act, 1908 (section 113), that the auditor's report must be either attached to or referred to in the balance sheet, be read before the company in general meeting, and be open to the inspection of any shareholder. The Companies Act, 1929 (section 122), imposed for the first time a statutory duty upon directors to keep proper books of accounts but made no real change with regard to the auditor's report.

Sense of Realism

The Companies Act, 1948, strengthened the general position of auditors and in extending their duties included a requirement to report on the profit and loss account in addition to the balance sheet (Ninth Schedule, 3 (2) (*b*)). From our present point of view perhaps the most significant change affecting the auditor in the 1948 Act was the legislative recognition that a true and fair view, whether of profit or loss or of the state of a company's affairs, calls for a broad canvas rather than a microscope, and for accounts to be drawn up with a sense of realism exceeding the correctitude of double entry. But old ideas about the auditor are particularly hard in dying and the 1948 Act never really breaks away from the popular but erroneous idea of the auditor sticking to account books like the cobbler to his last or a chemist to the galleypot.

Nevertheless, the evolutionary process in auditing has continued and is now reflected in a

[1] For an interesting and informative account of this see *Dicksee's Auditing*, 17th ed., pp. 294-297.

recommendation of the Jenkins Committee on company law reform that the Ninth Schedule of the Companies Act, 1948, should be amended to require auditors simply to state their opinion on whether the accounts present a true and fair view[1]. The committee say that in making this recommendation they accept the criticism that to require auditors to state expressly their opinion as to whether proper books of account have been kept is unnecessary (paragraphs 432–4).

This, perhaps, does no more than recognize that in a technological age, books of account are not only losing ground to mechanical and electronic methods of accounting but have in any event lost much of their former pre-eminence as sources of information. What it fails to recognize, however, is that annual profit and loss accounts and balance sheets have also lost much of their former significance in the general scheme of things and that not only are traditional methods of book-keeping and accountancy being revolutionized but, as already said, the very nature of the accounting function in modern business is itself changing. No longer are financial accounts supreme, with costing as a poor relation; in an efficiently run business rather are they instruments in a system of controls in which cost and financial records are closely interlocked or even integrated and in which, as was said earlier, the primary emphasis is increasingly on budgeting and variance analysis rather than financial history.

An important corollary of all this is that an auditor's report restricted to an annual profit and loss account and balance sheet has a necessarily diminishing significance. And this is particularly serious: partly because of the continuing divorce between shareholders and management; and partly from the point of view of increasing social and public interest in the welfare of companies.

What seems to be badly needed, therefore, in any forthcoming amendment of the Companies Act is a requirement that auditors shall, at least in the case of public companies, supplement their report on the profit and loss account and balance sheet by expressing their opinion on the company's system of financial administration and/or control. This would greatly increase the responsibility of auditors, but the fact is that revolutionary changes in the whole ethos of accounting and financial administration must sooner or later make it imperative for the accountancy profession to accept this additional responsibility in the face of a growing need for periodic, independent testimony on whether or not the company is in good heart as a financial organism, with a sound system of controls that is capable of functioning efficiently.

[1] H.M.S.O. Cmnd 1749, para. 435 (*h*).

More Latitude in Audit Reports

The auditor should, it is suggested, be allowed considerable latitude in this proposed widening of either the report now required by the Companies Act, 1948, or the revised report proposed by the Jenkins Committee. The following is a tentative example, with variations, of a possibly suitable addendum to the present report, though what is really required, of course, is a free expression of the auditor's opinion rather than formal phraseology.

I/we further report that in my/our opinion the company has

a proper a satisfactory an adequate an inadequate an unsatisfactory	system of	financial control(s) administration standard costing and/or budgetary control integrated accounting

Though the auditor's duties would be extended and his responsibility widened there would, it is thought, be no real change in the essential nature of the responsibility. It still would be no part of his duty to give advice nor would it matter to him whether the business were conducted prudently or imprudently, profitably or unprofitably. But the present statutory requirement about proper books of account would, so far as the auditor is concerned, be brought up to date by translation into a new legal requirement appropriate to the current stage in the evolutionary development of accounting and administrative controls in which the sole or main focus of attention is no longer historical annual accounts.

The need is urgent, for without some such extension of powers the auditor must be increasingly restricted in meeting the needs of the times by the complete fulfilment of what are essentially his true and proper functions in relation to the total field of company accounting. We may, as auditors, regard this as evolution with a vengeance; and so it is. But it is also a challenge to us, as a profession, to prepare for new responsibilities which, under modern conditions, are in some ways almost a public duty.

The Role of the Accountant in Management Consultancy — II

Today's Problems and Tomorrow's Developments

by L. W. SHAW, B.Sc., F.C.A.

Other Services

FROM the preceding paragraphs [in last week's issue] it will be seen that the scope of the management consultancy work which is available to accountants in practice is very wide. Even so, there is now a tendency among some of the firms who provide a consultancy service to employ a number of engineers and other specialists from professions other than accounting. This is so as to provide a more comprehensive service of management consultancy than is possible with a staff of chartered accountants. It is quite a feasible proposition provided that the work which is carried out by the engineers and other specialists is capable of adequate supervision by a chartered accountant. The work must be consistent with the business of a public accountant, and must not conflict with clause 20 (5) of the supplemental Royal Charter, which states that 'a member in practice shall not follow any business or occupation other than that of a public accountant or one which in the opinion of the Council is incident thereto or consistent therewith . . .'.

42. As might be expected, one of the useful functions of a management consultancy service is to help with the problems of the other divisions of a chartered accountant's practice. These problems include instructing the audit staff in the principles of electronic computers and of automatic data processing generally, and providing technical assistance in connection with the audit of computer systems. It is also useful on occasion to have the advice of a specialist chartered accountant on the technical aspects of a complicated system of costing and its effect on work in progress and stock records.

The Progress of a Management Consultancy Job

43. An outline of the normal progress of a management consultancy job, and of the way in which the work is tackled, might illustrate why the work is admirably suited to the training and discipline of a chartered accountant. Although a scientific method is essential for the work, it is basically investigation work of immense variety, calling for an entirely objective and honest approach to the recommendations which are made, and a very careful evaluation of the benefits expected to result from the implementation of the consultant's recommendations. These recommendations must be entirely for the good of the client, even though, in the short term at any rate, the recommendations may seem to run counter to the consultant's own interests.

44. This may happen, for instance, in the case of an investigation to decide whether or not a computer should be acquired by an undertaking. There may be a good prima facie case for a computer and the company may be anxious to have one, perhaps for reasons of prestige. If a computer were ordered the consultant would be likely to assist in its installation, which would result in a lengthy period of work for the consultant and his staff. But if, having made his investigation, the consultant comes to the conclusion that, having regard to all the circumstances, the company would be well advised to drop the idea of a computer for the time being and to concentrate on improving its present system by other means, the consultant's duty is plain.

45. A scientific approach to management consultancy work is needed because the work comprises the elements of scientific method. These are investigation, analysis, the formation of a hypothesis, the testing of the hypothesis, the enunciation of a 'law' or conclusion, and the putting of these results to good effect. There is one thing, however, that the management consultant must never forget; he must always be completely practical in his approach to his work, bearing in mind that 'no system is better than the persons running it'. Hence the consultant's keen interest in organization and people and the likelihood of achieving satisfactory implementation of his recommendations.

46. The first step in a management consultancy job is to have a preliminary discussion of the problem with the client. A brief survey is then made to identify and define the problem, to determine its real nature and to indicate areas which may require more detailed examination. At this stage the problem often looks quite different from that to which the consultant's attention was drawn in the first instance. A short report on the results of the brief survey should be made, summarizing the objectives of any further detailed examination which might be necessary, and outlining a programme of work. The

The concluding part of a paper given at the Oxford Summer Course of The Institute of Chartered Accountants in England and Wales on July 10th.

report should be discussed in detail with the client, the programme of further work should be agreed with him, and any necessary participation of his staff in the work should be arranged. Terms of reference might be drafted, if this seemed desirable.

47. The consultant would now make a detailed examination of all aspects of the problem. This examination would involve careful and meticulous fact-finding in order to determine precisely what is going on in the organization or business, and also to establish equally precisely what the requirements of the business really are. The facts should be carefully studied and analysed so as to present as clear a picture as possible of the whole matter under investigation. Then follows the formulation of provisional recommendations, having regard to all the factors involved, human and otherwise, including the structure of the executive organization.

48. At this stage the management consultant should examine the results of his fact-finding in so far as they concern other aspects of the business, and he should consider the effects of his recommendations, taking a broad view of the undertaking as a whole. The accountant may consider whether his client should ask for advice from a specialist in a different field of work, such as manufacturing methods, marketing methods and so on. Having revised his provisional ideas for improvements, the consultant should then draft his recommendations for the appropriate action to be taken by his client.

49. The next step is the explanation of his recommendations to his client and the detailed discussion of the proposals. It is at this point that the ability of the consultant to write a lucid and informative report, and to put it over at all levels of staff, becomes important. It is true that much of the consultant's reporting has to be oral, but the written report is the most important means of communication between the consultant and his client. The report does not have to be a formal one; in this context it includes any working memorandum, notes of meetings, etc., which may serve as a means of recording the consultant's conclusions and his reasons for arriving at his recommendations.

50. Having agreed on a programme of implementation of the consultant's proposals – assuming that further detailed work is necessary – the next move is to decide who will carry out the work. Incidentally, if the recommendations concern the accounting system and are likely to have a material effect on the conduct of the audit, the consultant, especially if he is a chartered accountant, should suggest to his client that the recommendations should be discussed with the company's auditor. It is undesirable for the implementation of the recommendations to be carried out entirely by the consultant's staff; it is essential that the company's staff should take part in the establishment of a new system so that they will be fully conversant with it. In this way they will also have an opportunity to identify themselves with the changes and to have an interest in the efficient working of the system after the consultant has completed his work and departed to tackle fresh problems.

Problems of Chartered Accountants in Relation to Management Consultancy Work

51. The day-to-day working problems of the chartered accountant who is a management consultant, or who is carrying out work of a management consultancy nature, are many and varied. The nature of these problems must be apparent from a consideration of the scope and extent of a consultant's work, and from an appreciation of the way in which a consultancy assignment is carried out. The administrative problems of a chartered accountant in relation to management consultancy work are not so apparent, but they are none the less real and of practical importance to the profession today. These problems fall into four main categories, but most of them are closely interrelated. However, it is convenient to examine them under the following headings:

(1) Getting the work.

(2) Ensuring the availability of staff competent to do the work.

(3) Organizing the performance of the work.

(4) Cost of doing the work.

Getting the work

52. The main problem is ensuring that the business community, and others who may require the services of a management consultant, know about the services which chartered accountants can make available to them. This is not a question of individual advertising; that would be quite contrary to the rules of any recognized profession. The problem is largely one of 'public relations' between the Institute and the public. The profession as a whole has been a very 'slow starter' in management consultancy work. It was slow to realize its clients' pressing need for a service of this nature and even slower to take advantage of the very real opportunities which the work affords of being of greater service to its clients.

53. For a number of reasons the accounting profession is far better placed than other professions to provide a specialist service of management consultancy and to do much of the work that has been done in the past by companies of industrial and management consultants. But there has been some reluctance on the part of the profession to accept the challenge and to encourage its members to equip themselves so as to be able to provide a competent service. As a result one could not expect the Institute

to inform the public about a specialist service which was available from comparatively few members of the profession.

54. However, the picture is different now; management accounting has earned a prominent place in a chartered accountant's studies, and management consultancy has been recognized as an activity in which firms of public accountants, as well as individual chartered accountants, can play an important part. The Institute's booklet *See a Chartered Accountant* is a step in the right direction, but it needs to be followed up by something which will achieve the same sort of publicity as the periodical statements made by the associations representing some other professions.

55. Apart from this there is the problem of the efforts which individual firms can make to ensure that undertakings which need specialist accounting services know where they are available when they are required. At the present time a firm of practising chartered accountants is prevented by the rules of the Institute from allowing its name to be included in directories of persons with specialized functions falling within the chartered accountancy field. For this reason firms of public accountants who provide a service of management accounting or of management consultancy may not be included on the Register of Management and Industrial Consultants maintained by the British Institute of Management. Instead the B.I.M.'s leaflet giving information about its register states

> 'The register does not include practising public accountants many of whom advise on management accounting and costing and some of whom have established special departments for this purpose; nor does the register include consulting cost accountants who practise in this field. Companies and other inquirers are recommended in the first instance to consult with their own auditors when problems in this field are under consideration.'

This seems hardly adequate to inspire prospective clients with a desire for further information about the specialist services available in the profession.

56. Similarly, firms of chartered accountants may not be members of the Management Consultants Association, even though they may provide a management consultancy service which would satisfy the stringent requirements for membership of the association. The M.C.A. was formed in 1956 and consists of about ten management consulting companies of established reputation who have agreed to co-operate in fostering professional standards of practice. But the association publishes a booklet which is available to anyone who is interested in using the services of a management consultant. This sets out the names of the member firms and gives other particulars about them. The code of professional conduct outlined in the booklet prohibits advertising by members in the public Press but does not prohibit solicitation or collective advertising of the members of M.C.A. in its literature. Hence firms of public accountants may not be members of M.C.A.

57. A firm of chartered accountants is permitted to give information to its audit clients regarding any other services which the firm can offer. It seems reasonable therefore that audit managers and staff should be trained to recognize situations where management accounting or consultancy services could be of value to the client. If the auditor becomes aware that there are inefficiencies in the accounting system, or a lack of useful management information, or indications that the information is not being made use of, then the auditor should not be slow to recommend specialist advice and to make it clear to the client that he is able to provide that service if asked to do so.

Availability of staff

58. The problem of ensuring the availability of staff competent to do the work is closely related to two main difficulties, firstly that of staff training, and secondly that of knowing reasonably well in advance what the requirements for trained staff are likely to be. Much knowledge of the techniques of management accounting and consultancy can be gained by a study of selected books, reports and case histories, and by lectures given by experienced members of the staff or by educational organizations outside the firm. As von Clausewitz so rightly put it 'theory is the distillation of the best experience'. But experience of actually doing the work is an essential part of a management consultant's training.

59. Trainees can be used efficiently for fact-finding work, under the guidance of an experienced consultant, and they generally start at this level, graduating through the various stages of consultancy work on successive assignments. However, there are difficulties about this. When a trainee is available for work, having finished his previous job, rarely is a new matter immediately available which will provide him with the right level of experience and to which he can make an efficient contribution. Also, in management consultancy work one has to be careful to avoid giving clients the impression that the specialists to whom they are looking for advice are not really quite so expert after all.

60. Of course, one way of solving the problem of training in a particular firm is for that firm to recruit experienced staff from outside sources. But that does not help towards solving the problem as a whole; someone has got to provide the training, both theoretical and practical. Actual experience of management consultancy can only be gained by working with qualified consultants, but much more could be done than is being done at present to provide courses of instruction in management accounting and the basic principles of consultancy work. Perhaps the institution of the Certificate in

Management Information and the Joint Diploma in Management Accounting will provide the necessary incentives.

61. The second main difficulty in ensuring the availability of competent staff is to know reasonably well in advance what calls are likely to be made on management consultancy services. There is no regular pattern of work, as might be expected with audit work. Requests for assistance invariably come at very short notice, and usually the need is urgent. Once a client has made up his mind that he needs advice within the field of management consultancy he expects the service to be provided almost immediately. And as is usually the case with specialist work of any kind, the work often involves an 'out-of-town' assignment. The best way of coping with this problem is to buy a really efficient crystal ball, otherwise there are bound to be times when either there will be men surplus to immediate requirements or else work will have to be deferred, and possibly refused, because of a shortage of competent staff.

Organizing the work

62. The problem of organizing the performance of the work is closely related to the difficulties already discussed. It is a problem of maintaining a level of work which is in balance with the staff available to carry it out, involving the budgeting of future requirements in a quite unpredictable pattern of work. There is, however, another difficulty arising from the continuing development of the scope of management consultancy work which might be considered under this heading.

63. Reference has already been made to the need for specializing for example in electronic computers or in operational research, within a management consultancy department of a firm of chartered accountants. This kind of specialization tends to create non-interchangeable pools of men and to aggravate the difficulties of ensuring the availability of staff for specific assignments. There is also the problem of providing adequate supervision of the work of these specialists. The demands on top supervisory staff and principals are constantly increasing because of their need to be familiar with an increasing number of areas of knowledge.

Cost of doing the work

64. The cost of making a chartered accountant available for a day's work on management consultancy is obviously higher than the cost of making him available for a day's work on auditing. The direct costs, principally salaries, are appreciably higher, mainly because the men employed on the work will all be qualified accountants of high calibre, with several years of experience since qualifying. The indirect costs, including the cost of initial training, are correspondingly high, and there is the continual need for refresher courses and group study. Added to these expenses are the inevitable costs relevant to the special difficulties of organizing the work and maintaining a balanced level of activity.

65. The costs relevant to the organization of the work can be kept to a minimum in a firm of public accountants by making use of consultancy staff on technical problems arising from the audit work of the practice, for example in connection with the audit of electronic computer systems. However, the rates of fee chargeable for management consultancy work are appreciably higher than those charged for audit work. This fact is occasionally commented on by some unenlightened managements, but it is not often a problem in practice. A competent service of management accounting or of management consultancy is something for which the management of industry and commerce is quite prepared to pay.

Problems of the Smaller Practices

66. In the smaller firms of chartered accountants all of the problems outlined in this section of the paper are emphasized. It is possible, and very desirable, for all chartered accountants to be able to cope with many problems of management accounting, and the ability to do this can be geared to the size of the practice. But it is impossible for the smaller firms to carry a staff of suitably qualified and experienced accountants who can provide a service of management consultancy. There is a minimum size of organization for which this is a practicable and economic possibility.

67. There is, however, a tremendous need among the smaller undertakings for a service of management consultancy and it is to the client's advantage, as well as in the best interests of the accounting profession, that chartered accountants should provide this service. Reference has already been made to methods of collaboration between firms of chartered accountants in order to provide a management consultancy service. Two such methods, whereby the auditor calls in a specialist firm on a consulting basis, or whereby the client employs the consultant at the suggestion of the auditor, have worked successfully on many occasions, but some practitioners are reluctant to refer to other accounting firms because of the fear that they may lose their audit client.

68. It is impossible to ignore this problem which is prominently in the minds of many small practitioners. The solution must surely lie within the accounting profession. A chartered accountant who is contemplating whether to use, on a consulting basis, the services of a firm providing a specialist service, or whether to suggest that his client should employ the consultant, has but to make inquiries of the secretary of his District Society or among his professional colleagues. He will soon be able to form an opinion as to which firms would be suitable for the purpose he has in mind.

Future Developments

69. The development of electronic data processing, operational research and other techniques, which are no longer new but which are far from fully developed, will have a considerable impact on administrative and accounting systems in the near future. Some accountants and business men with wide experience speak of revolutionary changes in office organization and in the relations between accounting and the production and marketing functions of a business. Whatever the strength of one's views about this it is certain that, because a large part of the work of a firm of public accountants falls in the financial and administrative area, the impact of these new forces on the management accounting and consulting services provided by the accounting profession will be very great.

70. As management in industry and commerce learn more about the advantages to be derived from these new techniques, the demands for assistance from the profession will undoubtedly increase, especially as management gets to know more about the services which can be provided by the profession. These requests will come not only from businesses with immediate difficulties to be resolved. During recent years it has been a noticeable fact that it has been the more progressive undertakings, which are constantly seeking improvements, which have made the most use of management consultancy services.

71. There has been a significant trend during the last few years in the nature of the problems which have been brought to the management consultant. Quite a lot of the systems and O. & M. work in the larger undertakings, on which advice would have been sought ten years ago, is now being dealt with by the companies' own methods groups. The problems which are being brought to the consultant are becoming broader and more difficult, involving techniques which border on the fringes of accountancy. There is no doubt that this trend will continue and that the broadening scope of the work in the profession will increase the need for specialization in techniques such as electronic data processing, operational research, and so on.

72. It will also be necessary for the chartered accountant who is providing a service of management consultancy to become conversant with the techniques of production efficiency surveys and the technical aspects of production control, for example, plant layout, material handling, etc. He will also be prepared to undertake other work which is not strictly in the field of pure accounting, but which is a logical development of the accountant's vital interest in management.

73. Inevitably the related problems of scope and competence will get bigger. They will be solved partly by the increasing specialization of chartered accountants in the various branches of management consultancy work, but it will also become necessary for firms of chartered accountants to employ men who are not themselves chartered accountants, but who have the necessary technical training and experience in electronics, industrial engineering, mathematical analysis, etc. A few firms of accountants have already taken this step.

74. The increasing specialization within firms of chartered accountants and the employment of non-accountants will in turn give rise to further problems in connection with the organization of a chartered accountant's practice. The greater range of techniques must be balanced by an increase in the broad general knowledge and experience of those responsible for the initial investigation of a management consultancy problem and for the subsequent supervision of the more detailed work. The breadth as well as the depth of management consultancy must not be forgotten. And it must also be remembered that, for the work to be carried out by a firm of public accountants, it must be in harmony with the basic objectives of the profession and must be capable of supervision by a chartered accountant.

75. Hence there are limits to the management consultancy services which a firm of chartered accountants can offer, however widely spaced those limits may seem at the present time. If a firm of chartered accountants were to go beyond those limits, in order to provide an even wider service of management consultancy, it would then become a firm of management consultants but may be in danger of losing its right to practise as a firm of public accountants. This would result in the loss of all the advantages attaching to a public accounting practice which are so important to the management consultant whose organization is integrated with such a practice.

76. It would be a pity if the growing range of management consultancy work within a chartered accountant's practice, with its increasing specialization and the identification of that work with the more rarified techniques of consultancy, resulted in any divergence of the consultancy service from the audit work of the practice. It can be envisaged that at some time in the future an audit of a company might, as a matter of routine, include an appraisal of the effectiveness of the accounting system and also, possibly, an assessment of whether or not the whole of the accounting and financial functions of the company are being carried out as economically as possible and to the company's best advantage. An efficient management consultancy division, forming an integral part of a chartered accountant's practice, would surely be of service in connection with such a management audit.

77. There is undoubtedly an exciting and expanding future for the accountant and the accounting profession in management consultancy. The limiting factor will be the availability of accountants with the right training and experience.

(*Concluded.*)

SCHEDULE D, CASE VIII

Apportionments of Rent etc. on a Sale of Property

INLAND REVENUE STATEMENT

Reproduced below is a statement issued by the Inland Revenue this week, on the effect of Section 20 of the Finance Act, 1964, on the apportionment of rents and other receipts and outgoings on the sale of property

Section 20 of the Finance Act, 1964, provides that due account shall be taken for income tax purposes of the apportionment of rents and other receipts and outgoings between vendor and purchaser on the sale of an estate or interest in land.

Section 15 (1) and (2) of the Finance Act, 1963, imposed a charge to tax under Case VIII of Schedule D as from the year 1964–65 on rents, rentcharges and other receipts arising from the ownership of an estate or interest in land in the United Kingdom or a right over such land. Section 15 (2) provided for the tax to be charged on the basis of the rents or receipts to which a person becomes entitled in the year of assessment. Under these provisions (apart from section 20 of the Finance Act, 1964) an amount paid to one party to a contract of sale by the other party as representing an apportionment of rent receivable from a tenant of the property could not have been taken into account in computing liability to tax under Case VIII – except where the paying party was trustee of that amount for the recipient (including cases where the Apportionment Act, 1870 applied). Apart from this exception, therefore, such a payment could only have been treated for income tax purposes as a capital adjustment to the sale price which did not affect tax liability one way or the other.

The Board of Inland Revenue are advised that a contract for the sale of an estate or interest in land for which the remedy of specific performance is available in the Courts sets up a trustee relationship between the vendor and purchaser which terminates on completion. (This rule rests on case law.) Apportionments of rent, etc., receivable, and outgoings payable, between the date of the contract and the date of completion therefore fall to be taken into account under Case VIII by virtue of section 15 (2) and (3) of the Finance Act, 1963.

Subsection (1) of section 20 of the Finance Act, 1964, recognizes this rule; but it modifies its operation for tax purposes in relation to rent payable in advance, in so far as the timing of the adjustment is concerned. It provides that the part of the rent which is attributed beneficially to the purchaser is to be treated as receivable on his behalf immediately after the time to which the apportionment falls to be made (e.g., on the day after the date fixed for completion, if the conditions of sale provide for the purchaser to be entitled to the rent as from that day) instead of the date when the rent is receivable from the tenant, since normally on that date the purchaser will not yet be entitled to the income. (The subsection applies similarly to receipts other than rent, and to outgoings.)

Subsection (2) provides for similar adjustments to be made in computing the tax liability of vendor and purchaser in the case of apportionable rents etc. receivable, or outgoings payable in advance before the contract for sale was entered into. The parties are to be treated in the same way as if the contract had been entered into first, and subsection (1) is to apply accordingly.

Subsection (3) applies to apportionable rents, etc., receivable (and outgoings payable) by the purchaser after completion of the sale. It provides (*a*) that in arriving at the purchaser's tax liability the amount apportioned to the vendor is to be deducted from the receipt or outgoing and (*b*) that in arriving at the vendor's liability the amount is to be treated as a revenue receipt or outgoing and as if it had been receivable or payable by him immediately before the time to which the apportionment is made (e.g., the date fixed for completion, where the conditions of sale provide for the vendor to be entitled to rent for the period ending on that date).

Section 20 applies to all sales of an estate or interest in land constituting a source of income assessable under Case VIII of Schedule D, including ground-rents, rentcharges, etc. It also applies to property let furnished, where the rent is assessed under Case VI. It does not apply to transfers otherwise than on sale, e.g., on death or bankruptcy or by way of gift; accordingly, where the personal representative of a deceased person, or a trustee in bankruptcy, contracts to sell property, rent received by the deceased or the bankrupt cannot be treated for tax purposes as apportioned to the purchaser.

Weekly Notes

PROPERTY APPORTIONMENTS

THE *Notes on the Taxation of Income from Real Property* issued by the Board of Inland Revenue in 1963, stated that any adjustment made as between vendor and purchaser on account of the rent would be ignored in computing the liability under Case VIII of both vendor and purchaser. The Board are now advised that a contract for the sale of an estate or interest in land for which the remedy of specific performance is available in the Courts sets up a trustee relationship in which apportionments of rent, etc., receivable and outgoings payable, between the date of the contract and the date of completion require recognition for Case VIII purposes.

This new angle on a knotty point in the Finance Act, 1963, appears in a statement issued by the Board, and reproduced elsewhere in this issue, which sets out a detailed explanation of the significance of section 20 of the Finance Act, 1964.

The statement will be of interest to all concerned with sales of land constituting a source of income, including property let furnished, but it is understood that section 20 does not extend to transfers otherwise than on a sale, e.g. on death or bankruptcy or by way of gift.

NEW MOVES IN STOCK EXCHANGE REFORM

THE Council of the London Stock Exchange, having been officially persuaded to demand turnover figures from member firms and having decided, to an extent, to take company law into its own hands, now finds itself being prodded into 'doing something about the *Official List*'.

At present the marking of bargains for recording in the *List* is not compulsory. The number of bargains recorded is a guide to, rather than a statistic of, business volume. Neither does the *List* record the full day's voluntary markings because of the time factor; busy brokers may record business a day late. The *Official List*, in effect, is an evening paper.

Further than that, the 'official quotation' giving the spread of bid and offered prices is a cross between a dealing spread and a closing price – much more of the former than the latter.

Making the 'official quotation' the day's closing price, and making the recording of all bargains compulsory, may look a simple enough matter but 'after-hours' dealings can, and do, make nonsense of prices at the official close and recording all bargains is not a matter to which jobbers – jealous of their turnover secrets – are particularly attached.

There is also the physical problem of getting the information, collating it and printing it. Newspapers have enough trouble as it is in printing the day's full stock-market dealings even with the present timing of the appearance of the *List*.

If the *Official List* is to be kept open so that official closing prices at 3.30 p.m. are to be recorded – what time is it going to come out? For the vast majority of people the *List* will 'do' the following morning. But to many it is essential to have it the same day.

Those problems can no doubt be overcome, but 'doing something about the *Official List*' is easier said than done.

THE BALANCE OF PAYMENTS

DOUBTS regarding the accuracy of statistics of industrial production and of trade apply also to other items making up the estimated United Kingdom balance of payments. When issuing the 1964 statistics[1] this week the Treasury said it was seeking to improve statistics of overseas trade. Several major improvements have been made in recent years in the methods of compiling the various estimates which are required to calculate the overall balance of payments but the degree of accuracy attained still varies considerably between items. As part of the continuous work of improvement the Board of Trade is undertaking an inquiry in conjunction with a large number of companies into changes in the amount of international credit outstanding.

In 1963 the surplus on current account at £113 million showed little change from the figure of £115 million in the previous year, but both showed substantial improvements on the deficits of £1 million in 1961 and £258 million in 1960. The visible trade balance improved from a deficit of £72 million in 1962 to £49 million in 1963 while net earnings from invisibles fell from £187 million to £162 million. The estimate of the overall balance of payments, including both current account and long-term capital transactions was a deficit of £42 million compared with surpluses of £8 million in 1962 and £49 million in 1961.

THE OUTLOOK FOR EMPLOYMENT

THE main conclusion of *Manpower Studies No. 1: The Pattern of the Future*[2] is that while the total United Kingdom population will rise at an increasing rate, the increase in the working population over the five years 1963 to 1968 will be below that for 1958 to 1963, though still above the level of 1953 to 1958. In the subsequent five years 1968 to 1973, however, there will only be a slight increase in working population. Over the full period therefore quite substantial increases in productivity will be needed to maintain the standard of living of the expanding population.

The report does not doubt that in practice produc-

[1] United Kingdom Balance of Payments. H.M.S.O. Price 6*s*.

[2] Ministry of Labour. H.M.S.O. Price 4*s* 6*d* net.

tivity will rise considerably faster than this. Over the five years 1963 to 1968 total manpower resources will probably be no more than adequate and at times of peak demand labour shortages may well occur unless steps are taken to prevent them. It is suggested that employers will increasingly need to encourage part-time working and alter their arrangements so as to facilitate the employment of married women. There will also be a need for a greater readiness to retain or engage older workers.

In the longer term, employment forecasts become more hazardous but the main trends are expected to be continued growth in the services sector (a marked increase is expected in employment in garages and hairdressing) and a further decline in the rest of the non-manufacturing sector. Some slackening in the previous rate of growth seems probable in manufacturing employment. Overall, however, the slow increase in the labour force in this period suggests that a situation of labour shortage is more likely than one of surplus and the strain on manpower resources may be more severe than in the preceding five years.

This is My Life . . .

by An Industrious Accountant

CHAPTER 241

AT the moment of writing I am on holiday. The weather forecast last night prophesied in tones of hearty assurance some verbiage about tomorrow being 'warm and dry'. In the event it is raining with a cold dreary persistence, and has been so doing for hours past. Hence my present state of gloom; so much for forecasts – financial or meteorological.

The said gloom was not dispersed by reference to my well-thumbed old copy of *Secretarial Practice*, which lies open at a chapter headed 'The Memorandum of Association'. There are about eleven pages in this chapter, most of them dealing with the objects clauses, which generations of accountants have pored over for years, learned off by heart the dicta contained, and answered examination questions thereon. In my opinion these clauses are just so much nonsense. It's high time that they were omitted from textbooks. A changed outlook on the subject is really long overdue.

In my twenty-odd years of practice as a company secretary and accountant I've never found any real value or purpose in these objects paragraphs. The only puzzle is why it's taken us so long to appreciate their general uselessness. Just consider the general make-up of any typical old company memorandum.

The name of the company and its general address make up the first three lines, under two paragraph numbers. A statement that the members' liability is limited, and that the amount of the share capital is so much, make up the last three lines, again under two paragraph numbers. In between come three pages or so of objects clauses, subdivided and sectioned, mostly made up of clumsy, repetitious, circumlocutory, semi-legalistic jargon. These pages are virtually worthless.

The theory was that the powers of a company to transact business were limited to the objects and purposes specified in the memorandum. Everything outside the scope of the memorandum or at variance with it, was considered *ultra vires*, void and incapable of ratification, even though all the shareholders might assent to it. It used to be thought better to err on the wide side than on the restrictive, so the objects were splashed out in full verbosity to cover everything conceivable.

Case law on the subject is full of weighty pontifications. In 1875, Lord Cairns found the memorandum 'is, as it were, the charter, and defines the limitation of the powers of a company' (*Ashbury Railway Carriage Co*). The manual's pages teem with references to exotic strangers like *Mysore Reefs* (1902) or *Road Block Gold Mines* (1905), but generally the law has held sensibly that a company has such powers as are expressly or implicitly warranted by its constitution (*Kingsbury Collieries*, 1907), particularly if they were clearly for the benefit of the company.

The specific long-drawn-out paragraphs are generally rendered redundant by the foregoing broad official policy, and even more so by the phrase which usually stands tersely as the final all-embracing authority. It reads, in our own company's ancient constitution: 'To do all such other things as are incidental or conducive to the furtherance or attainment of all or any of the foregoing objects.' This blanket clause, it seems to me, would enable us to send up a satellite missile if we attached an advertising poster to its tail. So I now endorse the proposition that a much simpler specification would be adequate for the purposes of 99·9 per cent of all our companies.

My favourite example of a well-balanced charter is that given to Sir Francis Drake in 1587 by Queen Elizabeth, when she was simultaneously placating and sabotaging Philip of Spain, as only she could do. She commanded Drake to

> 'forbear to enter forcibly into any of the said King's ports or havens, or to offer violence to any of his towns or shipping within harbouring, or do any act of hostility upon the land. . . . And yet, notwithstanding this direction, her pleasure is that you . . . should do your best endeavour . . . to get into your possession such shipping of the said King or his subjects as you shall find at sea'.

Sir Francis interpreted this charter as authority to singe King Philip's beard in an assault on Cadiz; so much for clever phraseology.

Finance and Commerce

Selective Expansion

THIS week's reprint comprises the accounts of Scottish & Newcastle Breweries Ltd. Although the group is a product of the familiar pattern of mergers within the industry, the company's present policy tends away from further moves in that direction. The two main organizations in the group – Scottish Brewers Ltd and Newcastle Breweries Ltd – merged in 1961, but Scottish Brewers was already the result of mergers thirty years earlier between the Wm Younger and Wm McEwan companies.

Sir William McEwan Younger, the chairman and managing director, believes that better results can generally be obtained by pursuing a policy of selective expansion rather than by building up a vast empire through take-over bids financed in whole or in the main by further issues of ordinary capital, particularly at the sort of prices now ruling.

He admits, on the other hand, that 'selective expansion' involves 'a very substantially greater measure of capital expenditure than can be financed out of retained profits'. The group balance sheet illustrates this particular point. Bank overdrafts, despite the fact that over half of the proceeds of a £7 million debenture issue were received during the year, show only a small reduction.

New Developments

Of the increase of £4,003,691 in group fixed assets, £2,611,957 was accounted for by licensed and other properties, fittings and furnishings. During the year the company completed the building of one hotel and twelve new public houses. Many others are being built.

Three major hotel projects are in hand: at Gosforth Park, Newcastle; Aviemore, Inverness-shire; and at Southport. The last two form part of large development projects. Other opportunities will arise or will be found, the chairman says, and he is 'convinced that it is a primary function of management to seek out and exploit such opportunities and not to accept tamely circumstances, often adverse, which can with reasonable plausibility be represented as beyond remedy, but which in actual fact are nothing of the sort'.

The group, apart from its brewery operations, has extensive whisky interests, and over £1 million of the

SCOTTISH & NEWCASTLE BREWERIES LIMITED

CONSOLIDATED BALANCE SHEET AS AT 30th APRIL 1964

	1964 £ Authorised	1964 £ Issued	1963 £ Authorised	1963 £ Issued
CAPITAL AND RESERVES				
Capital				
5½% Cumulative Preference Stock	3,912,900	3,912,900	3,912,900	3,912,900
Ordinary Stock	26,127,198	26,127,198	26,127,198	26,127,198
Shares of £1 each, of no specified class	459,902	—	459,902	—
	£30,500,000	30,040,098	£30,500,000	30,040,098
Capital Reserves (Note 6)				
Share Premium Account	4,174,376		4,331,390	
Capital Reserve	2,548,700		2,690,144	
		6,723,076		7,021,534
Revenue Reserves				
General Reserve (Note 7)	6,991,000		5,060,000	
Profit and Loss Account	314,108		313,111	
		7,305,108		5,373,111
		44,068,282		42,434,743
DEBENTURES AND OTHER SECURED LOANS (Note 8)		18,074,481		14,717,478
FUTURE INCOME TAX (1965/66)		3,026,000		1,966,000
MINORITY INTERESTS IN SUBSIDIARY COMPANIES		132,885		129,569
CURRENT LIABILITIES, PROVISIONS AND DIVIDEND				
Current Taxation	3,308,557		3,208,279	
Creditors, Accrued Charges and Depositors	5,434,321		4,347,461	
Bank Overdrafts	4,094,312		4,719,959	
Proposed Final Dividend on Ordinary Stock, *less* income tax	1,280,233		960,175	
		14,117,423		13,235,874
		£79,419,071		£72,483,664

	1964 £	1964 £	1963 £	1963 £
FIXED ASSETS (Note 9)				
Breweries and Sundry Properties		9,466,607		8,854,892
Licensed and Other Properties, Fittings and Furnishings		41,140,014		38,528,057
Plant		7,199,101		6,443,032
		57,805,722		53,825,981
Trade Investments		245,680		221,730
		58,051,402		54,047,711
CURRENT ASSETS				
Stocks at or under cost (Note 2)	11,494,747		9,729,584	
Debtors and Payments in Advance, *less* provisions	4,794,964		3,994,577	
Trade Loans and Accrued Interest, *less* provisions	4,467,705		4,237,675	
Quoted Investments (Market value at 30th April 1964 £123,844)	129,175		129,157	
Sum on Deposit with Debenture Trustees	33,074		17,645	
Balances at Bank and Cash in Hand	448,004		327,315	
		21,367,669		18,435,953
		£79,419,071		£72,483,664

WILLIAM McEWAN YOUNGER, *Director.*

JAMES H. PORTER, *Director.*

The Notes on Pages [323] form part of the Accounts.

increase of £1,765,163 in stocks, in the accounts, is accounted for by stocks of wines and spirits; the marked upward trend in whisky sales, in particular, making it necessary to provide for fillings on a scale substantially in excess of present sales.

Profits in Perspective

The sharp profit rise in the past year is put into perspective by the chairman. The year under review benefited from the coincidental effect of a number of favourable factors – a mild winter and improving economic conditions in the north-east and in Scotland – while 1962–63 suffered from a harsh winter and economic recession. Taking the two years' results together, an average pre-tax profit increase of about 20 per cent gives a more realistic picture.

The question, inevitably, is whether or not the company would have fared differently had it followed the more familiar brewery trade principle of mergers and acquisitions financed in shares and cash, instead of its selective expansion policy. Obviously the financial demands of that policy are considerable.

The £7 million debenture operation early this year came sixteen months after a rights issue of 2,903,022 Ordinary £1 shares at 50*s* a share. The accounts, even taking the balance of the debenture money, suggest that new financing will be needed fairly regularly.

United Gas

REORGANIZATION and modernization of the United Gas Industries group, which has been going on successfully for the past four years, embrace the company's accounts this year. These are presented in a new and improved form 'designed to enable shareholders to understand more readily the financial structure of the company, and the details of the year's trading'.

The balance sheets, in columnar form on the left-hand side of a double quarto opening with the notes on the right, show Net Current Assets, plus Fixed Assets less Loan Capital and Future Tax, reconciled with Share Capital and Reserves.

The company is organized into three divisions – engineering and appliances, furnace and construction, and meters. Outside the three divisions is a printing company. Reorganization and redevelopment have taken profits to their present level of £586,000 from the depths of a mere £81,400 in 1960, when the beginnings of reorganization were shown in £243,400 for exceptional losses and charges.

Ordinary capital, doubled by a rights issue in the past year, is being further increased by a 'one for six' scrip issue and a current year dividend at not less than 15 per cent rate is forecast on the higher capital, a total of 17½ per cent having been paid for 1963–64.

SCOTTISH & NEWCASTLE BREWERIES LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30th APRIL 1964

	1964 £	1964 £	1963 £	1963 £
GROUP TRADING PROFIT BEFORE CHARGING DEPRECIATION		10,535,794		*7,815,096*
Deduct: Depreciation		1,517,405		*1,245,414*
		9,018,389		*6,569,682*
Add: Income from—Trade Investments	15,256		*14,206*	
Other Investments	5,175	20,431	*6,284*	*20,490*
		9,038,820		*6,590,172*
Deduct: Debenture and other Secured Loan Interest		850,472		*823,630*
GROUP PROFIT BEFORE TAXATION		8,188,348		*5,766,542*
Deduct: Taxation on the above Profit (Note 3):—				
Income Tax	2,815,000		*1,860,000*	
Profits Tax	1,154,000	3,969,000	*777,000*	*2,637,000*
GROUP PROFIT AFTER TAXATION		4,219,348		*3,129,542*
Add: Taxation over-provided in previous years		59,000		*21,000*
		4,278,348		*3,150,542*
Deduct: Compensation to Director of Subsidiary for loss of office		5,357		*5,250*
GROUP NET PROFIT		4,272,991		*3,145,292*
Whereof from Principal Company £3,850,584 (1963 £2,798,225)				
Deduct: Proportion attributable to Minority Interests		4,474		*1,104*
NET PROFIT ATTRIBUTABLE TO MEMBERS OF THE COMPANY		4,268,517		*3,144,188*
Add: Balance from the previous year		313,111		*309,834*
AVAILABLE FOR APPROPRIATION		4,581,628		*3,454,022*
Dealt with as follows:—				
Transferred to General Reserve	2,055,328		*1,408,806*	
Dividends Paid or Proposed, less Income Tax:—				
Preference Stock	131,813		*131,813*	
Ordinary Stock:—				
Interim of 5%	800,146		*640,117*	
Proposed Final of 8%	1,280,233	4,267,520	*960,175*	*3,140,911*
BALANCE CARRIED FORWARD		314,108		*313,111*
Scottish & Newcastle Breweries Limited	75,397		*74,899*	
Subsidiary Companies	238,711	314,108	*238,212*	*313,111*

The Notes on pages [323] form part of the Accounts.

SCOTTISH & NEWCASTLE BREWERIES LIMITED

NOTES ON THE ACCOUNTS

1 COMPOSITION OF THE GROUP

Scottish Brewers & Distillers Co., Inc. became a fully-owned Subsidiary during the year, the whole of its issued Ordinary Share Capital having been acquired for cash.

This U.S. Subsidiary, which has offices in Los Angeles, is responsible for co-ordinating the marketing activities in connection with Cluny, Mackinlay and other Group Whiskies in the U.S.A.

2 GROUP PROFIT

On 14th April 1964 the rates of duty on Beer, Wines and Spirits were increased, resulting in an estimated additional profit to the Group on duty paid stocks held at that date of £221,000. This sum has been credited to General Reserve.

Stocks at 30th April 1964 have been valued at amounts which incorporate the increased rates of duty, and pre-Budget stocks still held at that date therefore include an element of unrealised profit. This amounts to approximately £60,000, of which £41,000 applies to the Principal Company.

3 TAXATION

The taxation charge on the Group profit has been computed after taking into account Investment Allowances amounting to £907,000 as compared with £937,000 last year.

4 DIRECTORS' EMOLUMENTS

The aggregate emoluments of the Directors of the Company were:

	1964	1963
	£	£
Fees for services as Directors	6,813	6,438
Pension Scheme contributions	9,226	7,578
Other emoluments	65,979	57,413
	82,018	71,429
Pensions to past Directors	4,780	4,780
	86,798	76,209

5 AUDITORS' REMUNERATION

The remuneration of the Auditors was:—

	1964	1963
	£	£
Principal Company	10,374	13,708
Subsidiary Companies	3,377	2,218
	13,751	15,926

6 CAPITAL RESERVES

	Principal Company	Group
Share Premium Account	£	£
Balance at 30th April 1963	4,182,806	4,331,390
Deduct: Expenses of Issue of 6% Debenture Stock	157,014	157,014
Balance at 30th April 1964	4,025,792	4,174,376

Capital Reserve	£	£
Balance at 30th April 1963	127,906	2,690,144
Add: Transfer from General Reserve	40,000	40,000
Profit on redemption of Debenture Stocks	7,504	7,504
Taxation over-provided by Subsidiaries relative to pre-acquisition periods	1,889	7,461
	177,299	2,745,109
Deduct: Goodwill arising on consolidation written off	—	35,941
Goodwill written off licensed property	69,421	69,421
Loss on disposal and demolition of Fixed Assets (net)	93,332	91,047
Balance at 30th April 1964	14,546	2,548,700

7 GENERAL RESERVE

	Principal Company	Group
	£	£
Balance at 30th April 1963	1,290,000	5,060,000
Add: Profit and Loss Account	1,625,037	2,055,328
Profits arising on stocks due to Budget increase (Note 2)	190,539	221,000
Adjustment of case stock deposit liability (prior year)	18,647	18,647
	3,124,223	7,354,975
Deduct: Transfer to Capital Reserve	40,000	40,000
Expenses in connection with acquisition and integration of Subsidiaries	1,886	1,886
Initial accrual of weekly wage-earners' holiday pay and lying time	308,337	322,089
Balance at 30th April 1964	2,774,000	6,991,000

8 DEBENTURES AND OTHER SECURED LOANS

	1964	1963
PRINCIPAL COMPANY	£	£
4¼% First Mortgage Debenture Stock 1971/76	3,428,915	3,494,012
6¼% First Mortgage Debenture Stock 1978/83	5,880,000	5,940,000
5¾% First Mortgage Debenture Stock 1979/84	5,132,466	5,132,466
6% First Mortgage Debenture Stock 1984/89	3,500,000	—
Other Secured Loans	100,100	118,000
	18,041,481	14,684,478
ISLE OF JURA DISTILLERY COMPANY LIMITED		
Loan secured by floating charge	33,000	33,000
GROUP	18,074,481	14,717,478

The loan capital of the Principal Company is secured on certain of its Licensed and Brewery Properties.

During the year £7,000,000 6% First Mortgage Debenture Stock 1984/89 was offered to Debenture, Preference and Ordinary Stockholders at £98 5s 0*d* per cent. As at the date of the Accounts the sum of £3,500,000 payable on Allotment and in respect of the First Instalment had been duly received. The Final Instalment of £48 5s 0*d* per cent, totalling £3,377,500, is payable on 22nd July 1964.

9 FIXED ASSETS

At cost or independent valuation in year to 30th April 1961, less sales	£ Cost or Valuation	£ Depreciation	1964 £ Balance	1963 £ Balance
PRINCIPAL COMPANY—				
Breweries and Sundry Properties	9,407,104	488,340	8,918,764	8,353,429
Licensed and Other Properties, Fittings and Furnishings	42,112,709	1,326,735	40,785,974	38,197,429
Plant	8,733,129	2,917,323	5,815,806	5,493,699
Trade Investments	233,170	—	233,170	208,740
	60,486,112	4,732,398	55,753,714	52,253,297
	£ Cost or Valuation	£ Depreciation	£ Balance	£ Balance
GROUP—				
Breweries and Sundry Properties	10,044,313	577,706	9,466,607	8,854,892
Licensed and Other Properties, Fittings and Furnishings	42,492,160	1,352,146	41,140,014	38,528,057
Plant	10,608,072	3,408,971	7,199,101	6,443,032
Trade Investments	245,680	—	245,680	221,730
	63,390,225	5,338,823	58,051,402	54,047,711

(i) The cost figures shown are the cost to the respective Companies.
(ii) In previous years the cost of replacement of fittings and furnishings has, in certain cases, been charged to revenue.

10 In respect of the Principal Company there are contingent liabilities in connection with:—
(*a*) uncalled capital of Subsidiaries amounting to £79,440.
(*b*) the guarantee of the overdrafts of certain Subsidiaries up to a limit of £810,000. At 30th April 1964 these overdrafts amounted to £433,000.
(*c*) the guarantee of loans advanced by third parties up to a maximum of £181,000.

11 Outstanding contracts for capital expenditure not provided for in the Accounts amount to approximately:—

	£
Principal Company	2,564,000
Subsidiary Companies	88,000
	2,652,000

CITY NOTES

THE equity sections of the stock-market have continued to hold up well in front of the General Election but the general condition of the market is decidedly thin. With most pre-election moves already made, business in equities is fading and it is left to special situations and special developments, such as individual company news items and take-over deals, to bring decided price movements.

In such conditions prices tend to exaggerate the effect of business volume. The rise to a new peak has been a delicate matter and has hardly been the result of forceful demand on a willing market.

There is still a degree of confidence expressed in the prospect of a Conservative victory next month, but there is no upwards rush on 1959 lines. In fact, opinion in some quarters is that the market as a whole may fade between now and the election date, although any more favourable trends in the public opinion polls could well put that view out of joint.

The pitch of prices itself is dissuading new equity buying, even though the vast majority of recent company reports indicate another successful year's trading. More reassuring trade figures could also help the market position.

* * * *

THE Federation of British Industries' snap survey seemed to suggest that there is nothing wrong with exports except the Board of Trade's figures. Prospects it seems are good, at least so far as major exporting companies are concerned.

It could be that too much emphasis is being placed on export contract news. This week's financing of a £30 million fibre plant contract with Russia is a case in point. This is the contract originally announced last May the exercise of which will take four years.

In the way of things there may well be another announcement when work begins on the contract itself and another when machinery is shipped. It is well that this contract has been negotiated and financed but emphasizing £30 million too many times in the process is apt to put the thing out of balance, at least in the public eye.

* * * *

DEMAND for cars was the major influence in the rise of £17 million to £1,059 million – a new peak – in hire-purchase debt in July. As much as £16 million of the rise was accounted for by an increase of that amount to £722 million in debt owed to finance companies. Debt owed to household goods shops rose by £1 million to £337 million.

* * * *

POLITICAL uncertainties in the Far East producing areas have pushed the price of tin to some £1,400 a ton – the highest level for over thirteen years. A fall in London warehouse stocks has also led to demand on the London Metal Exchange. On the stock-market, political uncertainties have had a reverse effect. Tin shares have been sold because of political doubts and despite the high price for the metal.

* * * *

LOOKING at two spheres of house building – quality housing and industrialized building – *The Building Societies Gazette* emphasizes the size of the building societies' task in meeting mortgage demand. Building societies will probably lend £1,000 million this year and much of it on the 200,000 private houses expected to be completed. Many builders are offering substantial mortgage facilities with advances up to 95 per cent over twenty-five years. Few building societies have yet advanced money on houses built by industrialized methods, but societies, the *Gazette* considers, are unlikely to be able to wait ten years, as has been suggested, before assessing the security offered by these houses.

RATES AND PRICES

Closing prices, Wednesday, September 9th, 1964

Tax Reserve Certificates: interest rate 19.3.64 2¾%

Bank Rate

July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%

Treasury Bills

July 3	£4 9*s*	4·72*d*%	Aug. 7	£4 13*s*	0·79*d*%
July 10	£4 9*s*	7·75*d*%	Aug. 14	£4 13*s*	0·21*d*%
July 17	£4 11*s*	7·01*d*%	Aug. 21	£4 13*s*	0·98*d*%
July 24	£4 12*s*	11·95*d*%	Aug. 28	£4 13*s*	1·47*d*%
July 31	£4 13*s*	1·03*d*%	Sept. 4	£4 13*s*	1·26*d*%

Money Rates

Day to day	3⅜–4½%	*Bank Bills*	
7 days	3¼–4⅜%	2 months	4 13/16–4⅞%
Fine Trade Bills		3 months	4 13/16–4⅞%
3 months	5¾–6¼%	4 months	4 13/16–4⅞%
4 months	5¾–6¼%	6 months	4⅞–4 15/16%
6 months	6–7%		

Foreign Exchanges

New York	2·78 31/32	Frankfurt	11·07
Montreal	2·99 11/16	Milan	1739½
Amsterdam	10·05	Oslo	19·94¼
Brussels	138·37	Paris	13·64⅛
Copenhagen	19·28½	Zürich	12·02¾

Gilt-edged

Consols 4%	64⅛	Funding 3% 59–69	90
Consols 2½%	41 3/16	Savings 3% 60–70	86⅝
Conversion 6% 1972	102 11/16	Savings 3% 65–75	77 15/16
Conversion 5¼% 1974	98	Savings 2½% 64–67	92⅝
Conversion 5% 1971	97⅛	Treas' 5½% 2008–12	89¾
Conversion 3½% 1969	91 19/32	Treasury 5% 86–89	86⅛xd
Conversion 3½%	56⅛	Treasury 3½% 77–80	76¾
Funding 5½% 82–84	95 9/16	Treasury 3½% 79–81	75½
Funding 4% 60–90	93⅞	Treasury 2½%	40 11/16
Funding 3½% 99–04	64	Victory 4%	98⅜
Funding 3% 66–68	90⅞	War Loan 3½%	57 1/16

The U.E.C. Congress in Vienna

SUCCESSFUL MEETING OF EUROPEAN ACCOUNTANTS

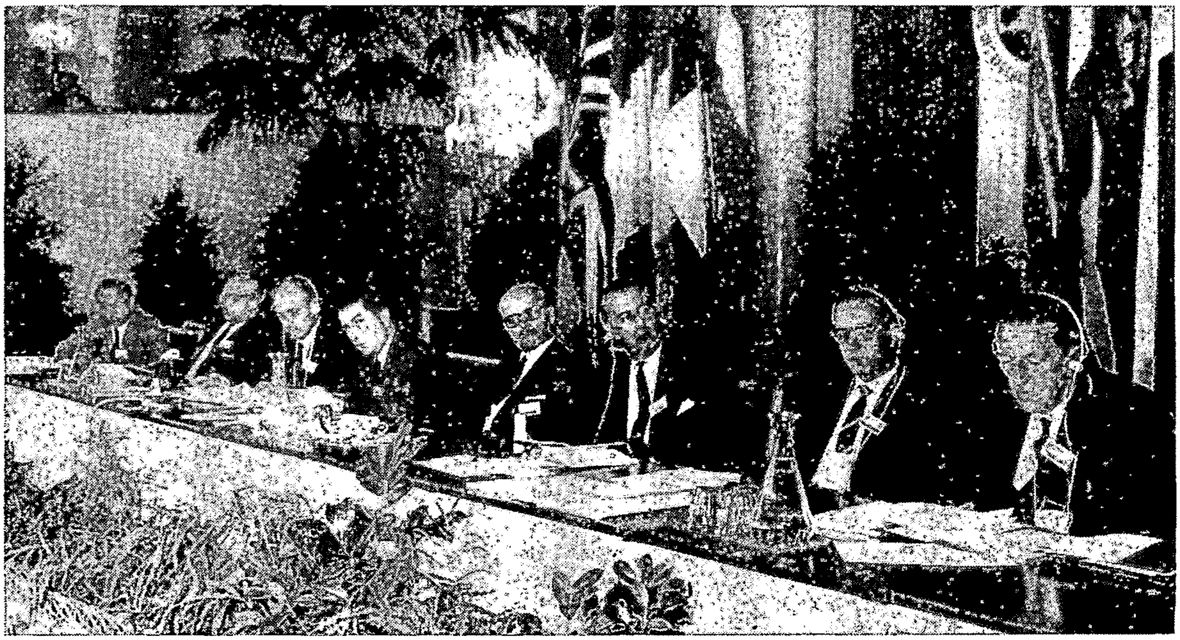
AFTER the Edinburgh Congress last year we said that the accountancy profession in Britain had found a new dimension; it had discovered itself in Europe. In Vienna last week, at the Fifth Congress of the Union Européenne des Experts Comptables Economiques et Financiers (U.E.C.), further progress was made along the road to mutual understanding and towards the harmonization of European accountancy methods. This successful international meeting, organized by the Kammer der Wirtschaftstreuhänder of Austria as the host body, was not only of great value and interest to the 300 accountants from the United Kingdom and Ireland, but also to their professional colleagues – numbering over seventeen hundred – from the fifteen other European countries represented. The business sessions dealt with subjects of particular importance to all accountants, of whatever country, and the brilliant social programme provided innumerable opportunities for making friendships. In last week's issue we reported the opening speeches given on Monday and we now continue our report with an account of the proceedings on the other days of the Congress.

FIRST PLENARY SESSION

The theme of the First Plenary Session held on Tuesday morning was 'Budgetary control as an instrument in the management of businesses', and the working basis for the session was provided by two papers previously circulated to members – 'Long-term programming', by Professor J. Nataf, and 'Profit-planning and the business', by M André Méary (both of France).

Opening the session, M Méary emphasized that planning existed at various levels (undertaking, region, economy), but that its object was always directed towards an increase in production.

At the beginning of the discussion period, Professor Ch. Bellefontaine (Belgium) asserted that nowadays the necessity for planning was even more vital than in the past due to the rapid technological advances and the need for flexibility resulting therefrom. Planning must orient itself around two poles; research and development on the one hand, investment and finance on the other. The difference between planning and budgetary control lay in the fact that planning was basically carried out in the long term, and must consider, not the state of business, but structural changes, whereas the budget was seen as an orientational plan with fixed short-term tasks. Plan and budget were interdependent; the realization of a budget always meant a step towards the aims laid down in



The First Plenary Session. Seated on the platform (*right to left*): J. Nichols, F.A.C.C.A.; P. Seier-Petersen (Denmark); Doctor J. F. Dempsey, B.COMM., LL.D., A.C.A. (Ireland); Doctor Louis Perridon, *Secretary General, U.E.C.*; Professor A. Botelli (Italy); Professor R. Burgert (Netherlands); H. Prüsener (German Federal Republic); André Méary (France).

the programme. Later in his comments, Professor Bellefontaine criticized the concept of investment calculation developed from theory, the interdependence of all business actions, he said, was not being given sufficient attention.

Professor R. Burgert (Holland) was critical of some of the points made by M André Méary in his paper, and in particular he doubted the suitability of the 'safety fund' for effective budgetary control. As a condition for such control, Professor Burgert referred to the existence of a planned organizational scheme as well as an accounting plan built upon it by means of which each area of responsibility could be restricted and comprehended from the accounting point of view. Finally, the mentality of management should not remain unconsidered. In the opinion of Professor Burgert, the problem of cost research as well as the question of appreciating and restricting sales costs had not been satisfactorily solved.

Mr J. F. Dempsey (Ireland) discussed the drawing up of a sales plan and its associated problems and his comments are reported in greater detail below.

Mr J. Nichols (England) referred to the sales budget as the basis of any commercial planning and, here again, his comments are reported in more detail on following pages.

Mr P. Seier-Petersen (Denmark), in his contribution, described budgetary control as practised in the Danish economy (in which, from a long-term point of view, undertakings experience difficulties resulting primarily from the unsolved Common Market–European Free Trade Association situation), and he explained the budgetary plan normally employed in Denmark.

André Méary (France) speaking at the First Plenary Session.

Mr H. Prüsener (Germany) gave a survey of total planning in business. In the outcome, sales, turnover, profitability, production, investment, and financial planning should form one unit, whose parts should have a certain flexibility to increase adaptability.

Finally, Professor A. Botelli (Italy) spoke about the advantages, dangers and limitations of long-term planning.

Comments by Dr J. F. Dempsey, B.Comm., LL.D., A.C.A.

In the course of his contribution to the discussion at the First Plenary Session, Dr J. F. Dempsey, B.COM., LL.D., A.C.A., a member of the Council of The Institute of Chartered Accountants in Ireland, said:

Standards for budgetary purposes are derived generally from historical costs data and the holding of costs at a level that will give results better than those of the previous year is the common objective. The march of time and the hardening of competition have extended the field of budgetary control from the regulation of expenditure to selling and to many other aspects of business. Control processes are aided by costing systems that serve to show the economics of particular departments or the profits on particular products. Later the need for the overall budgeting of capital requirements focused attention on cash forecasting and on planning for fresh capital.

The term budgetary control implies two things: there must first, of course, be a budget and then there must be a well-planned system of control. The budget should be an intelligent plan of operation in monetary terms supported by an abundance of statistical data, by critical unit measurements or unit values and by actual results experienced during the nearest completed trading period.

Master Budget

Budgeting requires a central controlling record in the form of a master budget. All subsidiary and sectional budgets for revenue, expenditure, capital, cash and so on must fit into the master budget. This arrangement can be approached in two ways: either by compiling individual subsidiary budgets for the separate operating departments, groups, or other units into which the business is divided for administrative purposes, and welding them together, or by setting up a master budget first and allocating its contents item by item to the separate units.

Under the first method the individual budgets are brought together and the master budget emerges. The result, whether it represents profit, capital expenditure, cash requirements or otherwise, may prove unacceptable. The elements of individual budgetary units need to be carefully examined to ensure that they are fair and that they are reasonably capable of attainment. The 'slap-happy' assessment of budget figures based on arbitrary adjustments of the previous year's results is not enough. If the budget is to serve its purpose it must take into account changing conditions and look for continually improving productivity.

In the second alternative of starting budgetary operations from the master budget and fanning out the constituent parts to subsidiary budgets, it may well be found that the original allocations need adjustment. In many cases it may be that the expenditure demands of individual units when aggregated will exceed the allocation from the master budget. This may be superficially rectified by too easy an assumption that revenue has been underestimated and there is then a great temptation to maintain the result in the original

master budget by arbitrary adjustments. Budgetary control is a legitimate expression of authority and anything casual or arbitrary in its treatment tends to alienate the respect which its successful application requires.

Sales Estimates

One of the most difficult single factors in the budgetary exercise is the estimation of sales or revenue. This is of immense importance as the consequences of subsequent disparities between the estimate and the actual are bound to be disturbing. Not only do the sales figures dominate the cash forecasting situation, but the volume of sales has an important bearing on the planning and organizing of production, plant extension and inventory levels. The old approach of adding a percentage to the previous year's sales figure and extending this practice into the long-term estimate has long been discontinued.

Obviously, the sales estimates for the budget should be prepared by or with the full co-operation of the executive who is responsible for sales – usually the marketing or sales manager. He will be familiar with the essential data:

(1) statistical and economic surveys including Government and trade papers;
(2) territorial reports from agents and other sources;
(3) information on cyclical and seasonal trends;
(4) records of past sales by locality and by type of product and the potential for each;
(5) advertising impacts.

The sales manager should be required to produce a detailed build-up of the sales as estimated for each area allotted to his staff, distinguishing between individual commodities or suitable groups.

Adequate Rate of Profitability

Having established a fair and reasonable estimate of sales, the budget must show the cost of producing the goods or services necessary to sustain the sales and to provide the volume of goods that need to be held in stock. The chief executive will in the first place concern himself with the earning potential of the business as a whole. He will need to satisfy himself that the rate of profitability envisaged is adequate. He will take into account the amount of capital employed in the business, the extent to which the equity has to be remunerated in the form of dividends and the extent to which profits should be retained for development.

It is important that each of those who constitute the management group should receive in advance of the period to which the budget relates a copy of the summarized revenue and expenditure master budget covering all the operations of the undertaking, and with it a copy of the budget for that part of the operations for which he is himself responsible. At frequent intervals, monthly, weekly or otherwise according to the nature of the industry, each manager should be provided with a statement showing the expenditure incurred in the area under his control, divided into selected headings of expense, and compared with his budget.

The great aid to man's foresight is the natural pattern of routine in human affairs. Tomorrow's business is not likely to differ significantly from today's nor will next year's from this. A careful analysis and study of income and expenditure, output, sales, stock and cash movements, critical ratios and other economic indicators from year to year will provide a very sound basis on which the prospects for the immediate future may be predicted and reliable budgets built up.

A section of the audience at the First Plenary Session.

Comments by Mr J. Nichols, F.A.C.C.A.

In the course of his contribution to the discussion at the First Plenary Session, Mr J. Nichols, F.A.C.C.A., a member of the Council of The Association of Certified and Corporate Accountants, said:

The introduction of a budgetary control system is usually fraught with problems arising out of the non-acceptance of the principles of budgetary control by management, particularly at lower levels.

The accountant needs to do a lot of 'hard selling' to all his colleagues throughout an organization if the true principles of budgetary control are to work in practice.

My first and most important point is that budgetary control is a method of management and the accountant's function is to provide the means to enable this managerial process to be fully implemented.

Secondly, let me stress again the importance of linking the control with individuals right through an organization and to underline the necessity of the budget exercise covering not merely sales and profits but all aspects of operations including production, distribution, finance, levels of capital employed and the expenditure on capital projects.

It is almost inevitable that the management of every business uses budgetary control to the extent that it has a plan, and to varying degrees compares its actual performance against the plan, but not necessarily in financial terms or on a precise basis.

Budgetary control in the accounting sense means a plan which is systematized and formalized on certain basic principles: (i) accounting for responsibility; (ii) management by exception – normal or standard results are accepted, only abnormal variances from standard are highlighted; (iii) all variations from normal performance are translated and explained in financial terms; (iv) complete integration of physical operating data with financial data; (v) co-ordination of all facets of the business, operational and financial. The plan or budget must be all-embracing.

The precise methods of control and systems which are applied depend upon the business concerned and it is unwise to be pedantic about specific routines.

The Sales Budget

The sales budget is usually the apex of the total budget; the exception to this is in a boom period when there is virtually no sales problem. In such circumstances the production or buying budget takes precedence, but this is not a normal situation and can be ignored for these purposes.

The sales budget should be the direct responsibility of the person responsible for sales, although it should be approved at the highest level before the detailed budgeting exercise is commenced.

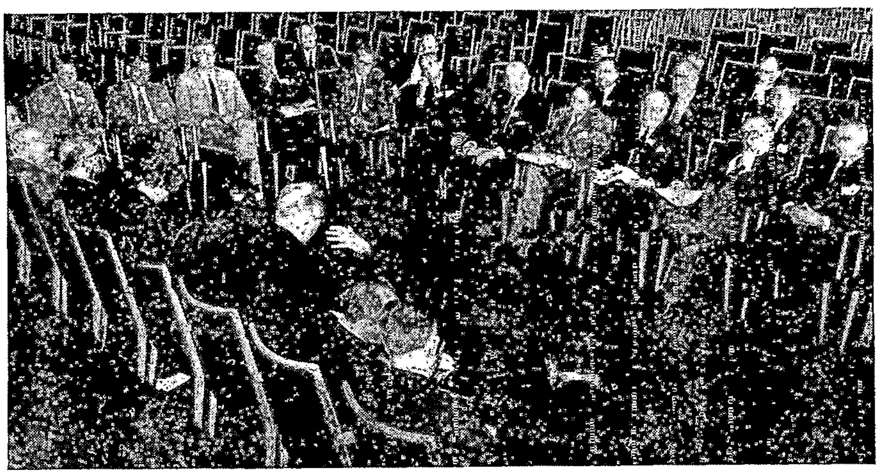
The problems of sales budgeting are varied, and fundamentally the solutions are limited by the degree of management skill and judgement.

The data to be provided by the accountant should supplement this skill and judgement by such mathematical calculations of probability and profitability as he can provide to aid management in exercising their judgement, and should cover the following areas:

(*a*) analysis of past sales and projected trends;
(*b*) summary and analysis of salesmen's estimates;
(*c*) manufacturing capacity;
(*d*) general trade prospects;
(*e*) orders in hand;
(*f*) proposed introduction or discontinuance of products or lines;
(*g*) effect of alterations in quality and/or price;
(*h*) seasonal trends and fluctuations;
(*i*) potential market;
(*j*) availability of materials and labour;
(*k*) warehousing and distribution factors;
(*l*) financial considerations – effect on inventory and associated liquidity matters. Cost of publicity and sales effort.

Given efficient market research and product development functions, allied with intelligent interpretation of data in respect of the matters outlined above, a number of alternative sales volume forecasts may be produced. The fundamental problem is to fix a sales budget based on the optimization of profitability.

This part of the exercise is where the accountant can play a major role in showing the financial effect of alternative programmes.



One of the permanent committees of the U.E.C. in session. Meetings of a number of the committees were held on the Tuesday afternoon in the Kongresszentrum.

Medium-term Profit Planning

It is not considered that the expression 'medium-term profit planning' is capable of precise definition in terms of time as suggested by M Méary. 'Medium-term' is entirely different for, say, a retail business which turns its stock over many times per annum, changes its prices and products at short intervals and plans its investments in the form of shops and stores which can be bought or built in a few months, compared with, say, a forestry company where its products may take many years to reach maturity.

There are, however, different types of planning covering greater or shorter periods depending upon the type of business.

Such plans are seldom capable of accurate evaluation except in terms of relativity. They are not a tool for control and need constant revision in the light of current trends and developments.

Problems in Profit Planning

The problems of profit planning may conveniently be stated under two main headings: (*a*) deployment of existing assets in order to optimize profit in relation to present capital employed; (*b*) obtaining and utilizing additional resources in order to maintain or increase the profit ratio, and the optimization of such profit in relation to future capital employed.

The factors limiting solutions are not mathematical complexities which can now be overcome by computer programming techniques, but more commonly the political, social and financial restrictions.

Assuming political and social restrictions can be overcome, then the accountant can concentrate on financial implications. One of the major problems is maintaining the rate of return on investment rather than the obvious one of increasing profitability; this is a vital aspect when additional resources are required. There is frequently a conflict between the interests of shareholders and the interests of the business, if the business can be considered a separate 'entity'.

The reinvestment of profits or the raising of fresh capital may increase profitability and such profitability may be optimized, but unless the rate of return on investment is maintained or increased the shareholders are penalized.

Conclusion

Budgetary control is not a substitute for sound judgement, technical skill and imaginative management. Given these managerial skills and virtues, its application is an invaluable aid to increased efficiency because it provides a yardstick or series of yardsticks against which to measure performance.

It must be allied to sound basic accounting and statistical data, modern management methods and sound organization structure. Speed in budgeting is also important and the use of computer techniques is desirable for the maximum benefits.

EUROPEAN PLAN OF ACCOUNTS

SECOND PLENARY SESSION

The Second Plenary Session of the Congress was devoted to the theme 'The possibility, usefulness and purpose of a standardized European plan of accounts'.

Professor J. Nataf (France) and Professor Dr Karl Hax (Germany), who were responsible for the two papers previously circulated to members, first gave a rapid survey of the principles involved in the work already carried out by one of the permanent committees of the U.E.C. The object of a uniform European standard form of accounting was primarily the provision of international comparability in national accounting systems. The setting up of an international standard form of accounting was also necessary in view of the possible integration of budgetary accounting on a national and international level. In consideration of the complexity of the problem, it had been decided first to develop the draft of a standard accounting plan for the requirements of the balance sheet in industrial enterprises. For incorporating business accounts, however, provision had been made for freely adaptable classes of accounts.

In the following discussion, Professor I. Cuesta Garrigos (Spain) asserted that a plan of this nature should primarily combine the conditions of simplicity and clarity with a certain amount of flexibility. Professor Garrigos objected to the combination of owners' capital and long-term outside capital in one class of account.

Professor Dr A. Aldrighetti (Italy) warned against the dangers of regimentation, which would be sharpened by a standardized accounting system.

Mr G. Wihrheim (Austria) pointed out certain contrasts within the U.E.C. between countries following the balance sheet principle and countries whose accounting is carried out according to the procedural classification principle (inclusion of the business accounts in the financial accounts). He was in favour of a clear separation between financial accounts and business accounts (balance sheet principle), and recommended a clear separation of owners' capital and outside capital.

A similar suggestion was made by Mr F. Faber (Luxembourg). Mr Faber declared himself in favour of the intended system of indirect depreciation, and further suggested that investments should be continuously re-valued through an amortization account on the basis of replacement prices.

Professor A. Grandell (Finland) said he was in favour of the separation of financial and business accounting, but would like to be sure that regularly recurring payments were nevertheless shown in the financial accounts.

Dr D. G. van Til (Holland) expressed criticism of the preference for the balance sheet as opposed to the profit and loss account, and of the exclusion of the business accounts.

Mr W. E. Parker (England) declared that no standardized accounting systems existed in Britain, and he expressed anxiety that an international standard form of accounting would not be sufficiently flexible. Mr Parker's comments are reported in detail below.

Mr J. Colleye (Belgium) referred to the endeavours

of the Common Market countries to obtain a standardized form of accounting. There was a danger, he said, of the Common Market authorities 'beating the U.E.C. to it'.

In this connection, M F. Angleys (France) pressed for international acknowledgement of the U.E.C. standard form of account ing as quickly as possible.

Dr E. Snozzi (France) expressed severe criticism of the exclusion of business accounting. Work carried out up to now by the U.E.C. concerning an international standard form of accounting had suffered too much from this restriction.

Comments by Mr W. E. Parker, C.B.E., F.C.A.

In the course of his comments on a European Plan of Accounts, Mr W. E. Parker, C.B.E., F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales, said:

For an English accountant coming new to the deliberations of U.E.C. it is difficult to offer constructive comments on the proposal for a European plan of accounts. In their detailed accounting records most large and some small companies and groups of companies in Great Britain use their own classifications, code numbers and names for their individual operating and asset and liability accounts. There is, however, no standardized plan intended to procure uniformity for these purposes in industry and commerce as a whole. The plans used are devised to meet the particular circumstances and requirements of the management of each undertaking and consequently differ from company to company or group to group. The form in which accounts are presented periodically to shareholders is also not standardized, but in presenting these accounts all companies must conform to certain statutory requirements as to the broad classification of items in their balance sheets and the minimum amount of information which must be disclosed about specific matters.

United Kingdom View on Regulation

Mr Parker went on to give, as additional background for the Congress discussion, some indication of these requirements and of the general attitude of accountants in the United Kingdom to regulation of the form of accounts and of the accounting records on which they are based, with particular reference to the 1948 Companies Act. He then continued:

It would be wrong, however, to give the impression that the only rule about accounts in Britain is that they must be 'true and fair'. There has been built up over the years, and continues to be developed, a wide measure of general understanding and acceptance of the kind of information which accounts should contain, the manner in which the amounts of profits and losses and assets and liabilities should be determined, and the form in which the information should be set out. The Companies Act, 1948, gives statutory force to certain minimum requirements for disclosure based upon this general understanding and acceptance but these requirements are supplementary to, and subject to, the overriding requirement that the annual accounts shall give a true and fair view.

For the most part these supplementary requirements are themselves framed, quite deliberately, in general terms and recognize that the circumstances of one company differ from those of another. For example, the reserves, provisions, liabilities and fixed and current assets are to be 'classified under headings appropriate to the company's business': the share capital, liabilities and assets are to be 'summarized with such particulars as are necessary to disclose the general nature of the assets and liabilities': the accounts must reveal the extent of any additions to or withdrawals from reserves and provisions and must disclose information as to certain specified matters such as directors' emoluments, depreciation, taxation, dividends from investments, and as to 'any material respects in which any items shown in the profit and loss account are affected by transactions of a sort not usually undertaken by the company or otherwise by circumstances of an exceptional or non-recurrent nature or by any change in the basis of accounting'. Where a company owns or controls other companies ('subsidiaries') its own accounts must be supplemented by 'group accounts' which give a true and fair view of the financial position and results of the group as a whole. Subject to this fundamental requirement, the group accounts may take a variety of forms ranging from a complete consolidation of the accounts of all the constituent companies to the annexing to the accounts of the parent company of separate accounts of each of the subsidiaries.

These requirements of the British Companies Act, whose general form and content have set a pattern for similar legislation in most of the countries of the British Commonwealth, are largely based upon the important series of *Recommendations on Accounting Principles* issued by The Institute of Chartered Accountants in England and Wales and serve along with those recommendations to illustrate the approach in Britain to regulation of the form and content of accounts. The same general approach is apparent both in the statute and in the Institute's statements.

These statements, made in the form of recommendations to the Institute's members whether in professional practice or commercial employment, are directed to improving the standards of accounting and disclosure and to developing the general understanding and acceptance of what is required if accounts are to show a true and fair view. Like the Companies Act itself, they concern themselves with principles and deliberately avoid the formulation in detail of rules for putting the principles into practice. To the British accountant attempts to standardize on a uniform national scale, let alone on an international scale, the form in which accounting information is recorded and reported seem to be fraught not only with difficulties but with dangers.

Differing Circumstances

The difficulties are self-evident, stemming as they do from the differing circumstances of different businesses, from changes of circumstances both generally and within individual businesses, and from the development of accounting thought and technique as time and events move on. To these must be added, on the international plane, differences between the economic systems, laws, customs and outlook in the

Members and their ladies at the reception given by the Mayor of Vienna in the Banqueting Hall of the Vienna Town Hall.

different countries. Dr Hax has emphasized in his paper that standardization presupposes a common body of ideas and methods. British accountants would whole-heartedly endorse this view, but they would add that it also presupposes a common set of circumstances and of needs.

The more serious problem, however, is whether a standardized plan of accounts is in any event a desirable objective on a national or international scale. The dangers of such a project as they would appear to most British accountants are:

(1) that the plan, if it was effective, would not be sufficiently flexible to accommodate varieties and changes of circumstances and to avoid forcing accounting into a particular mould in which it would tend to become unresponsive to the development of new ideas, new situations and new needs;
(2) that adoption of the plan would produce a superficial appearance of uniformity which would be deceptive inasmuch as, while the amounts shown by the accounts would be classified under uniform headings, the principles on which the amounts were arrived at might differ greatly.

As I indicated at the outset of my remarks this is not to say that British undertakings fail to recognize the value of formal plans of accounts of their own design for their own individual use for management purposes. Well organized businesses in Britain find such plans an advantage and even a necessity, especially where the accounting functions are performed at a number of centres – and most of all where the business is conducted through a number of companies under common control and operating perhaps in many different parts of the world. In the latter case the production of group accounts for shareholders and of budgets and progress reports for the central management might be wellnigh impossible without a formal accounting plan. The plans are, however, individual plans designed to meet the needs and circumstances of the particular business. Many of them make use of decimalized code numbers, starting with whole numbers for major accounting classifications and decimals thereof for subdivisions and further subdivisions.

In addition, companies in particular industries and trades are increasingly tending through their trade associations and with assistance from the accountancy profession to adapt their individual accounting so as to enable important information to be furnished to a central point where it is collated and made available for the benefit of the industry or trade as a whole.

It remains to be seen whether trends of this kind will produce greater uniformity in the classification of accounts; but in so far as they do, the uniformity will grow naturally from the roots, not be superimposed from above. It is natural growth which British accountants would wish to foster, because both its form and its extent would then be shaped not by the imposition of some universal ready-made solution but by the particular needs and circumstances of its own environment.

In conclusion, Mr Parker said that it would be fair to summarize the general attitude of most British accountants by saying that they seek greater uniformity of accounting principles (that is to say, the principles upon which the *amounts* of profit and loss and of assets and liabilities are determined) but that in classification and presentation the emphasis is on flexibility.

PRESENTATION OF ANNUAL ACCOUNTS

THIRD PLENARY SESSION

At the Third – and final – Plenary Session, the subject of discussion was 'The presentation of annual accounts of businesses including those of groups of companies'.

Two papers prepared by Professor Dr Erich Loitlsberger (Austria) and Dr W. Dober (Switzerland), which had been previously circulated to members, served as the working basis for the discussion.

Opening the discussion, Professor Loitlsberger stressed that matters which required urgent attention in the event of a standardization of publication of accounts were primarily the introduction of the gross principle (declaration concerning turnover), information about the formation and liquidation of indisclosed reserves, and the disclosure of the property position and changes therein.

Dr W. Dober said that it was apparent from the documents at the disposal of the U.E.C. permanent committee 'Revision Comptable' that in most of the countries examined a close connection existed between the obligation to publish and the obligation to audit and report. The examinations of the Committee had shown that the regulations concerning publication of the annual statement of accounts affected auditing regulations and materially influenced the standard of auditing. It was necessary to stress the importance of professional and independent auditors.

F. van Amerongen (Holland), A. Glomstein (Norway), Dr R. Halpern (Austria), Per V. A. Hanner (Sweden), E. D. Pauwels (Belgium), J. A. Stewart (Scotland), H. Greiffenhagen (Germany) and Dr C. Prat (Italy), took part in the discussion and certain differences of opinion arose on the question of those who should have access to accounts information. As regards publication regulations, the move at the present time towards an increase in the amount of information disclosed was unanimously approved.

Comments by Mr J. A. Stewart, C.A.

Mr J. A. Stewart, C.A., a member of The Institute of Chartered Accountants of Scotland, made the following comments in the course of his contribution to the discussion.

In Scotland, as in the rest of Great Britain, it has been a legal requirement since 1908 for limited companies to send annual accounts to members and for such accounts to be audited. Since this practice was first enacted there have been extensive changes in the legal requirements, all aimed to secure greater measures of disclosure of information to shareholders and others, to improve and encourage the development of standards of accountancy, and to extend the rights, duties and responsibilities of auditors. Some idea of the extent of publication is instanced by Dr Dober in his paper when he mentions that the Companies Act of 1948 (which also applies to Scotland) prescribed the presentation of group accounts by combines. The process of evolution in these matters still continues and the Company Law Committee's report to Parliament in 1962 contained further recommendations which have still to be dealt with by Parliament.

The ultimate aims seemed to me to be wisely expressed by a member of the English Institute of Chartered Accountants in his contribution on 'Auditing' presented to the European Congress of Accountants held at Edinburgh in September 1963, when he said:

> 'In the long run funds for international investment will flow freely only if, amongst other things, there is in each country an effective accounting profession conforming to standards of professional competence and ethics which are reasonably consistent with those observed in other countries and applying accounting principles which are recognized generally.'

The problems facing the accountancy profession in Europe, before the above aims can be achieved, are so complex that their solution does not rest in the members' hands alone but depends on Government action and public opinion.

The professional bodies of accountants and the individual members can, however, by their actions and example, bring pressure to bear in legislative and executive circles and can help to mould public opinion.

It is noted that the questionnaire on which the papers were based was completed on behalf of seven countries and that the synopsis deals with six of these. While this is probably a disappointing return in the way of numbers, the sample obtained may be representative enough for the purpose of the papers. This is a point which may have to be considered. At least it has shown the extent of the gap between high and low standards.

The definition and scope of the subject as given in section 1 of the papers certainly draw attention to the differences in outlook which exist in the various countries.

It would seem necessary, however, to consider more closely the implications of the suggestion to publish information in the national Press.

Whether such a recommendation is practical or not depends on the type of company to which it is intended to be applied; the number of companies which would be affected particularly in countries where publication is a statutory requirement; and the form and extent of the information to be given. It would not seem appropriate, for instance, to insist on this form of publicity for private companies (for example, family undertakings) or for certain subsidiary companies in the case of combines.

The section of the papers dealing with changes to be expected in the law regarding publication of company information is interesting in that the Committee appears to be convinced that 'in all countries the tendency is towards an increase in the extent of publication'.

CLOSING SESSION

At the closing session presided over by the Congress President, Wirtschaftsprüfer Karl August Ziegler, a short report on the work of the Congress was made by M Maurice Moine, an Honorary President of the U.E.C., and the closing address was given by Dr Wilhelm Elmendorff, President of the U.E.C.

M Moine opened his remarks with an expression of good wishes to Dr Rinaldo Rocco, of Milan, a Vice-President of the U.E.C., who had been unable to travel to Vienna due to ill health.

M Moine went on to stress the importance of maintaining the continuity of the work carried out at Vienna. He said the Congress meetings had enabled all those present to 'feel the pulse' of the U.E.C. and to appreciate its aims. These aims – though modest to start with – could contribute something invaluable to the European economy, particularly as the relationship between company accounting and national accounting methods became closer. M Moine added that it took eleven years to set up the Plan of Accounts in France and it was only through the U.E.C. that a European plan could be introduced.

In conclusion, M Moine expressed thanks to the President, chairman, rapporteurs and all those who had taken part in the discussions thus ensuring the success of the business sessions.

President of the U.E.C.

Dr Wilhelm Elmendorff, President of the U.E.C., said in the course of his closing address that the time had now arrived for him to relinquish office as President after his term of three years. 'Looking back over those three years', said Dr Elmendorff, 'there could be no doubt that great progress had been made in the consolidation and strengthening of the U.E.C.

'The entry of the professional bodies in Britain, Holland and Scandinavia means we have accomplished a unification of the profession in Western Europe. Contacts between the old and new members have been furthered this week in Vienna and have helped towards the gradual integration of the best accounting practices in Europe – the goal of the U.E.C.'

Dr Elmendorff went on to express thanks to Mr H. C. Treffers and Sir Thomas Robson for their devoted work since their election as Vice-Presidents of the U.E.C. on the entry of the new members in April 1963. He also thanked M Robert Holveck, the former Secretary-General, who had relinquished office at his own request in order to take up a new appointment in industry. He continued:

'We are very glad that Dr Louis Perridon – a Dutchman who speaks several languages – has accepted the appointment of Secretary-General and we hope that he will be happy in his task.'

Continuing, Dr Elmendorff said he felt that the technical work of the U.E.C. had not progressed as quickly in recent years as could have been wished and he emphasized that this must not be neglected. He added that it would be one of the most important tasks of his successor as President to reorganize and revitalize the work of the permanent committees.

Referring to the language problem that had been accentuated by the enlargement of the U.E.C., Dr Elmendorff said it had been decided that at the next U.E.C. meeting to be held in Baden Baden in 1966, members should be divided into groups of twenty-five with each group speaking a common language – one group speaking French, another English, and so on. It was hoped that this system would prove successful. Dr Elmendorff pointed out that it had been necessary to plan the next meeting for 1966 – a year earlier than the normal three-year interval – as the Ninth International Congress of Accountants was due to take place in Paris in 1967. The next large Congress of the U.E.C., added Dr Elmendorff, would be held in 1969 at a venue yet to be decided.

New President

Dr Elmendorff then announced that Mr H. C. Treffers, of the Nederlands Instituut van Accountants, had been elected as the new President of the U.E.C. for a period of two years, with the possibility of election for a further year. Mr Treffers, he said, needed no introduction, he was well known to all members and had contributed a great deal towards the integration of the new U.E.C. members.


Dr Wilhelm Elmendorff


Mr H. C. Treffers

Dr Elmendorff also announced the election of Dr Bechinie as an Honorary President in acknowledgement of his continuous work for the U.E.C. since its establishment, and the election of Mr Alexander McKellar as a Vice-President and the re-election of Sir Thomas Robson as a Vice-President.

Tribute to Dr Elmendorff

Taking the rostrum, Sir Thomas Robson paid tribute to the work of Dr Elmendorff during his three-year term of office and then announced that the Assembly of Delegates had decided unanimously that the only fitting recognition of his work was to invite him to become an Honorary President of the U.E.C. Amid applause, Sir Thomas said that Dr Elmendorff had graciously consented to accept.

Mr H. C. Treffers

In a short address, Mr H. C. Treffers, the new President of the U.E.C., said he hoped that the work of the enlarged U.E.C. would bear fruit in the future and that all the member organizations would collaborate as actively as possible. He concluded: 'I am quite sure that this splendidly organized Congress at Vienna will spur us on.'

The proceedings were then formally closed by the Congress President, Wirtschaftsprüfer Karl August Ziegler.

Enjoying their evening at a Heurigen in Grinzing on the outskirts of Vienna. Mr W. Stuart Orr, B.A., LL.B., F.C.A., Secretary of The Institute of Chartered Accountants in Ireland (*left*) with Mrs Orr and a party of friends from the United Kingdom.

SOCIAL EVENTS AND TOURS

A full and interesting social programme was arranged by the host organization, the Kammer der Wirtschaftstreuhänder, for Congress members and their ladies. On Monday afternoon there was a coach tour to places of interest in Vienna and to Schönbrunn Palace – the former summer palace of the Emperors of Austria – and in the evening the Mayor of Vienna gave a reception in Vienna's Town Hall.

There followed during ensuing days guided tours of various museums and other historic buildings, including a visit to the Ecclesiastical and Secular Treasury containing the Crown Jewels and other treasures, and to the Figaro House where Mozart once lived.

Parties of members and their ladies also enjoyed their evening visit to a 'Heurigen' at Grinzing on the edge of the Vienna Woods. The 'Heurigen' is a typical Austrian country inn which, under law, can serve only its own wines produced in the locality. The wine is 'young' and although light and palatable, has a reputation for its potency – most members and their wives wisely refrained from taking more than two of the large glasses they were offered! Everyone enjoyed the music and took part in the singing which is a feature of the happy atmosphere of these charming old inns.

The ladies were invited later in the week to see a special performance of the Spanish Riding School, the oldest of its kind in the world dating from 1565. The magnificent building where the performances are held, with its high moulded ceiling hung with chandeliers, and its long galleries mounted on simple stone pillars, was erected for Emperor Charles VI between 1729–35. Here, to the melodies of Chopin, Bizet and other composers, the beautiful white horses, all of Spanish stock and descended from the original Imperial stud, 'danced' in perfect time a form of minuet, a gavotte, and a *pas de trois*, ending with a quadrille by the whole company, the horses and their riders – dressed in brown and cream costume and cockade hat of the eighteenth century – moving in complete unison.

On Wednesday evening, and to many the highlight of the week, came a special performance of the Vienna State Opera. Although bombed during the Second World War, the Opera House has been fully restored and remains one of the most beautiful buildings in Vienna. Here, where the Viennese and visitors from all over the world have been known to queue for up to three days for a ticket, was presented a most moving performance of Puccini's *Madame Butterfly*.

The social events culminated on Thursday evening with a banquet and ball held in the magnificent halls of the Hofburg Palace. Immediately following the banquet, during which Viennese melodies were played, a short but delightful ballet performance was given by the ballet of the Vienna State Opera. As it was impossible to accommodate the whole Congress in the Hofburg Palace, a separate banquet and ball – and ballet performance – was held in the Konzerthaus.

In spite of the lateness of the hour at which most members left the ball, many were up early the following morning for various day excursions through the surrounding countryside, arranged by the host organization.

The splendid weather contributed in making these tours most enjoyable and, for those returning to their respective countries the following day, provided a pleasant finish to a successful week of both social and business events.

Notes and Notices

PROFESSIONAL NOTICES

Messrs Alfred N. Emanuel & Co, Chartered Accountants, of Richmond House, 12–13 Richmond Buildings, Dean Street, London W1, announce that Mr Peter Sheldon, A.C.A., who has been a member of the staff for some years, has been admitted into the partnership. The firm's name remains unchanged.

Mr John H. Gale, F.C.A., announces that he has ceased to be a partner in Messrs Surman, Leat, Phillips, Gale & Co, and is now trading under the style of Gale & Partners from Imperial Court, Basil Street, Knightsbridge, London SW3.

Messrs Miller, McIntyre & Gellatly, Chartered Accountants, of 20 Reform Street, Dundee, and 25 George Street, Perth, announce that as from June 1st, 1964, they have assumed Mr Quintin T. Crichton, C.A., and Mr Ian R. G. Gellatly, C.A., as partners.

Messrs F. M. Purcell & Co, Chartered Accountants, of 58 Theobalds Road, London WC1, announce that they have admitted as a partner Mr Nigel Lewis Rowan, A.C.A., who has been associated with the firm for some time. The practice will be carried on under the style of Purcell, Rowan & Co, Chartered Accountants.

Appointments

Mr Eric J. Davies, F.C.A., has been appointed joint secretary and chief accountant of E. H. Marley & Partners Ltd.

Mr G. Reid, F.A.C.C.A., has been appointed a director and secretary of Wadham (Holdings) Ltd.

Mr W. S. Risk, B.COM., C.A., F.C.W.A., has been appointed a director of Dexion Ltd.

Mr T. A. Wainwright, A.A.C.C.A., has been appointed chief accountant of The Lint and Seed Marketing Board, Tanganyika.

Mr J. R. Williams, A.A.C.C.A., A.C.I.S., secretary of Searle Manufacturing Co Ltd, has been appointed a director of the company.

BRITISH PRODUCTIVITY COUNCIL

H.R.H. Prince Philip becomes Patron

H.R.H. Prince Philip has become Patron of the British Productivity Council. This follows Prince Philip's support of National Productivity Year, of which he was also Patron.

In a message then, he said: 'We can only compete with success if we can maintain a high standard of efficiency and productivity. . . . Efficiency can only be maintained by a continuous process of improvement and innovation.'

OBITUARY

Mr Percy Frederick Carpenter, F.C.A.

It was with deep regret that just before going to press we learned of the sudden death last Wednesday of Mr Percy F. Carpenter, F.C.A., at the comparatively early age of 63. Senior partner in the firm of W. B. Keen & Co, Chartered Accountants, of London, Mr Carpenter was well and in good spirit at his office on Tuesday, as he was when he left home to travel to an appointment in Birmingham on Wednesday morning. He collapsed and died in the train on the journey.

Mr Carpenter was Vice-President of the Institute of Chartered Accountants in England and Wales in 1961–62, and President in 1962–63. The highlight of his Presidential year was his presence as the Institute's principal delegate at the Eighth International Congress of Accountants held in New York in September 1962. Only last week he was one of the Institute's official representatives at the U.E.C. Congress in Vienna.

The second son of the late Mr F. J. Carpenter, F.C.A., Mr Carpenter was educated at St Marylebone School, and was articled in 1918 to the late Mr J. D. Reeves, F.C.A. He gained first place in the Intermediate examination in 1920, was admitted an Associate of the Institute in 1923 and elected to Fellowship in 1934. He was a member of the Council of the Institute since 1947, and had served on most of its Committees; he was Chairman of the Examination Committee during the period 1957–61, of the Library Committee (1954–57) and the Summer Course Committee (1957–61). He was specially commended for his work as a member of the Planning Committee in 1951. He was also a member of the Taxation and Research Committee in 1951–56, and was an Institute witness before the Mocatta Committee on the endorsement of cheques.

Mr Carpenter always took a very great interest in articled clerks and their training; he was a member of the Articled Clerks Committee from 1954–61 and was a member of the Parker Committee on Education and Training for the Profession. He also served as the P. D. Leake representative on the Committee on Relations with the Universities.

Despite his very full professional life, Mr Carpenter was widely known and respected in other fields of public life. He was a Freeman of the City and Junior

Warden of the Guild of Freemen, a member of the Court of Assistants of the Worshipful Company of Loriners, a liveryman of the Worshipful Company of the Makers of Playing Cards and a governor of the City of London College. He was also a Fellow of the Institute of Arbitrators, of the Royal Statistical Society, and an Honorary Fellow of the Zoological Society of London.

Of an essentially modest disposition, Mr Carpenter was a man of great charm and sincerity of which one was instinctively conscious on first acquaintance, as the host of friends, by whom he will be so greatly missed, will testify.

3½ PER CENT DEFENCE BONDS (CONVERSION ISSUE)

The Treasury have announced that a conversion offer will be made to holders of 3½ per cent Defence Bonds (Conversion Issue) issued on January 1st, 1955, and maturing on January 1st, 1965, of which £5·9 million are outstanding.

These holders will be invited to exchange their holdings into 5 per cent National Development Bonds (Conversion Issue) on January 1st, 1965. Holders who accept the offer of conversion will receive a final interest payment of six months' interest at 3½ per cent per annum on January 1st, 1965, together with a premium of £3 per cent on bonds exchanged. If the offer is not accepted, interest on the maturing bonds will cease with the payment due on January 1st, 1965.

The terms of the new Conversion Issue Bonds will be the same as those of the 5 per cent National Development Bonds currently on sale except that interest will be payable on January 1st and July 1st. The full conversion terms were given in the prospectus and notice posted to individual holders on September 4th, together with forms of request for conversion and forms of authority for repayment for the use of holders who do not accept the conversion offer. The list of acceptances of the conversion offer will be closed on October 2nd.

THE BUILDING SOCIETIES (DESIGNATION FOR TRUSTEE INVESTMENT) REGULATIONS, 1964

New regulations have been announced by the Treasury to replace the Building Societies (Designation for Trustee Investment) Regulations, 1959. They include provisions governing the designation of recently united societies and amendments designed to bring the rules into line with the Trustee Investments Act, 1961, and the Building Societies Act, 1962. There is also a new provision that where the assets of a society exceed £100 million, a reserve ratio of 2 per cent in relation to assets above that level will be considered adequate for trustee status. In relation to assets below that level and societies with assets of less than £100 million, a reserve ratio of 2½ per cent will continue to be required.

These regulations were made under section 1 (1) of the House Purchase and Housing Act, 1959, and they prescribe the conditions which must be fulfilled to the satisfaction of the Chief Registrar of Friendly Societies before a building society can qualify for designation. When a society has been designated both its shares and deposits become authorized investments for trustees subject to the provisions of the Trustee Investments Act, 1961.

As it is five years since the original Regulations were drawn up they are due for review, and most of the amendments do little more than take account of legislation which has been passed in the interim.

The reduction in the reserve ratio from 2½ per cent to 2 per cent on assets over £100 million is of more significance. Ten societies will be immediately affected and more than one-third of the assets of the movement will qualify for the narrower margin.

RATING RETURN FOR 1964–65

The annual return of rates and rateable values[1] was published this week by the Ministry of Housing and Local Government. This year's return follows the style introduced last year, and is again published in two parts. Part I is mainly an analysis of rate levels, and Part II (which has been prepared by the Commissioners of Inland Revenue) provides a detailed analysis of rateable values.

NATIONAL SAVINGS

Total savings reported during the week ending August 29th were £45,590,000. Total withdrawals from past savings were £41,927,000. In the result there was an excess of new savings over withdrawals of £3,663,000 and the sum remaining invested (after allowing for Defence Bond redemptions of £52,000) now stands at approximately £8,178 million.

	Receipts	*Repayments*
	£	£
National Development Bonds	3,800,000	8,000
Savings Certificates	3,000,000	4,200,000
Defence Bonds	—	1,321,000
Post Office and Trustee Savings Banks[2]	33,821,000	34,380,000
Premium Savings Bonds ..	1,800,000	800,000
	42,421,000	40,709,000
Estimated Accrued Interest	3,169,000	—
Estimated Interest Paid Out	—	1,218,000
	£45,590,000	£41,927,000

[1] *Rates and Rateable Values in England and Wales, 1964–65.* H.M.S.O. Part I, price 5s net; Part II, price 8s net.

[2] Including one department of the Birmingham Municipal Bank.

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE ACCOUNTANT

ESTABLISHED 1874

SEPTEMBER 19TH, 1964 VOL. CLI. NO. 4683

CONTENTS

Lessons from Europe

THE election date is fixed and at last the great guessing game is over. But just what issues will decide the election it is difficult to predict, although two topics should transcend all others in the minds of the electorate. The first is to consider what Britain's future role in world affairs should be; the second concerns Britain's economic policy. The Parliamentary Opposition has made much play, as have other critics, of the fact that British economic development in recent years has been slower than that of her competitors. Until recently both the United States and Britain had the worst records in the matter of economic growth and investment. In contrast it is not so long since the post-war West German resurgence was referred to as an 'economic miracle' and, more recently, both France and Italy have experienced an economic revival second only to that of Japan. What lessons, if any, are there to be learned from their experience which can be applied to this country?

A new study[1] of the French, German and Italian economies examines in some detail their post-war record, while Mr ENOCH POWELL, in an introduction, seeks to draw from their experience some guidance for the British situation. The one issue on which the authors are clearly united is that 'there is no discernible relationship of cause and effect between the economic miracles and the direction of economic resources by Government action'. In other words, although France is at present in the throes of her fourth plan, in Germany the word planning is anathema to the ruling authority. Nor is it possible to argue that the rising prosperity of these European countries is attributable to their greater success in containing currency inflation. In two of the three the record is far worse than that in Britain.

The main factors which these countries have in common, and which distinguish them from Britain and America, are, firstly, the greater degree of war devastation, secondly, the fact that until quite recently the two English-speaking nations were more affluent, and thirdly, the labour situation. From the first two it might be concluded that the stick is more effective than the carrot. Of the third, in the European countries there is a substantial surplus agricultural labour force upon which industry has been able to draw. For example, in the past decade, two million Italians migrated from the agricultural south, mainly to participate in the growth of northern industry. There has been a similar movement

[1] *Economic 'Miracles'*, by Jossleyn Hennessy, Vera Lutz and Giuseppe Scimone. (Published for The Institute of Economic Affairs by Andre Deutsch Ltd, London. Price 25*s* net.)

of the labour force in France, while in Germany the absorption of thirteen million refugees since the end of the Second World War has eased the pressure on labour resources.

In contrast, in Britain there has been no similar under-employment since agriculture accounts for a mere 4 per cent of the working population. It is difficult not to believe, contends Mr ENOCH POWELL, that these substantial, structural changes of population and employment have not contributed significantly to the more rapid rate of growth in Europe.

Some of the most controversial opinions are contained in Mr JOSSLEYN HENNESSY's review of the German 'miracle'. He lays great stress on the very much higher rate of investment in Germany and the fact that, in the case of their nationalized industries, the pricing policies were determined by the need to make profits and raise their capital requirements in the open market. He points out that given the much tighter labour situation in the United Kingdom than in West Germany, one would have expected a faster increase in labour productivity relative to the expansion of output. In fact the German record is superior, for while in West Germany investment was concentrated in those industries where profits were rising and competition intense, it contracted in the low profit, non-competitive industries. Furthermore, Mr HENNESSY asserts that Britain could not use its increased capacity effectively because the rise in labour productivity was inadequate to prevent a deterioration in the competitiveness of industry. The result is to be found in the contrasting records of Britain and Western Germany in the export field, which Professor TIBOR BARNA has elsewhere attributed to technical obsolescence in the United Kingdom economy.

Mrs VERA LUTZ, who reviews the revival of the French economy, examines the impact of the four successive French Economic Plans, and concludes that the plan 'exerts an influence of almost mythical quality over much of public opinion in France today'. The mystique of the French plan has extended even to the United Kingdom, where the National Economic Development Council is, to put it no more strongly, its spiritual heir. The strongest point in its favour lies in the confidence which the plan has generated in the French economy, and it is arguable that if Neddy can do the same for British industry then its main purpose will have been achieved.

Nevertheless, despite the apparent successes, there are still plenty of problems left. In all countries there is an urgent need for an incomes policy. Disparities in living standards are more marked in Europe than nearer home. In Italy, the Government has been noticeably reluctant to take early and effective measures to check inflation. In France, there is the long-term problem of reconciling the paternalistic plan with a more democratic method of operation.

The obstacles to the sorely needed change in Britain are not so much economic as social. In this context, a new publication entitled *Rebirth of Britain*[1] reviews in a series of essays the main problems besetting the British nation. Mr GRAHAM HUTTON trenchantly asserts that the 'real ruin in the British nation is the organized, deliberate waste of its most precious natural resource, skilled labour', while Professor JEWKES notes that among the benefits of competition would be the ultimate elimination of monopoly and inefficiency. Mr PAUL BAREAU reflects on the fact that exchange control is necessary for State planning and observes that despite the simplification of the existing exchange control, it still contains some odd and damaging anomalies. Commenting on the persistent tendency for the British economy to run into overseas deficit, he remarks that a resort to import controls would in the present context of world tariff history be a strategic blunder of the first magnitude. Professor COLIN CLARK argues his well-known thesis that the level of taxation in the United Kingdom conduces to inflation and limits incentives. This view may be linked with Mr HENNESSEY's observations on the German scene where taxation has been moderated to encourage higher output and productivity which alone provide a guarantee of rising wages and living standards for all. Professor JACK WISEMAN and Mr GWYN JAMES review critically the nationalized industries and the agricultural industry respectively, and agree that the best medicine for both their ills is to be found in more competition.

What the electorate thinks of the relative merits of planning and competition is unlikely to be known until the outcome of the election.

[1] Pan Books MP 72 (published in association with The Institute of Economic Affairs). Price 5s net.

Personal Planning for Clients

IN 1958 The Institute of Chartered Accountants in England and Wales issued a series of notes dealing with the contribution which the accountant can make towards business efficiency. Attention was drawn to the problems of devising significant measures and the need to make comparisons in respect of the same business at different times and the relative performance of other businesses in similar circumstances.

It seems that a similar spirit of inquiry has animated recent studies of the efficiency of families in conserving and deploying their resources to the greatest effect. At the English Institute's summer course at Cambridge last week, Mr K. G. M. HARDING, B.A., F.C.A., presented a paper on estate duty planning (the first part of which is reproduced elsewhere in this issue), while at St Andrews, the venue of the Scottish Institute's twelfth summer school which ended last Tuesday, the aspects of tax planning were discussed in more general terms by Mr T. D. LYNCH, C.A. A notable element in both addresses was the provision of detailed examples, tables and graphs calculated to encourage participants to bring to the consideration of their own clients' affairs the techniques of control long taken for granted in planning business production and investment.

The Scottish audience were invited to consider the philosophy which should underlie a professional counsellor's approach. Tax planning is mainly concerned with the remedying of haphazard defects in the make up of a particular individual's circumstances which place him at an unnecessary disadvantage. However, many practitioners view this subject with a hesitancy which reflects reluctance to risk their client's peace of mind and grasp of his affairs by an exaggerated pursuit of marginal savings. We agree with Mr LYNCH when he stressed the value of a long-term plan formulated early in life, subject to regular review and implemented by gradual stages.

The charting of the most favourable tax course is a commonplace in business where attention has to be paid to the interaction of different taxes, but the evidence appears to us to indicate that the scale and intensity of current quests for tax savings is directly proportionate both to the fixing of taxes at confiscatory levels and to general defects in the system which lead to irrational and harsh results. In particular, the peculiar structure of the death duties imposes the tax at an effective rate of 100 per cent for estates in the shadow of 'marginal relief'; for instance, the same residue remains after payment of estate duty on an estate of £100,000 and one of £110,000. This makes it imperative to phase the remedial arrangements so that these penal zones are by-passed and it is perhaps surprising that taxpayers of even moderate means do not avail themselves to a greater extent of the ability of accountants to provide them with annual balance sheets and income and expenditure forecasts as a reliable basis for practical action.

A number of possibilities in the field of estate duty planning were presented to the audience at the English summer course and detailed consideration was given to the uses of a purchased annuity, a development which has flowered since the removal of the tax charge on the capital element. A striking feature of the arrangements proposed in this connection is to be found in the possible increase both in the spending power of the annuitant and in the value of the estate made available to his successors, including policies under the Married Women's Property Acts which rank for a progressive scale of duty relief, although it must be borne in mind that inflation is a lurking threat in this context.

Both addresses made it clear that there is no panacea available for general prescription and every case calls for individual study. We consider, however, that the main conclusion to be noted by the professional man is that his client's affairs need to be reviewed as a whole, not only in regard to the current position of his business and family but also in the light of an imaginative appraisal of future trends. This will require co-operation with the legal profession and investment advisers but the accountant should not neglect the contribution which is uniquely his, namely, the provision of periodical accounts which provide the only sound basis for effective action capable of yielding results of real value.

Unfortunate Debtors

BANKRUPTS' CERTIFICATES OF MISFORTUNE

by W. H. D. WINDER, M.A., LL.M.

AFTER a debtor has been adjudged bankrupt he may be disqualified from holding various public offices for five years. These statutory disqualifications are, however, removed if he obtains from the Court his discharge with a certificate 'to the effect that the bankruptcy was caused by misfortune without any misconduct on his part' (Bankruptcy Act, 1914, section 26 (4)). There may be other, non-statutory advantages for the bankrupt in obtaining such a certificate in his favour, for example, in connection with his professional reputation and standing. In a case which was before the Court of Appeal this year, the bankrupt who unsuccessfully applied for a certificate of misfortune was a chartered accountant (*In re a Debtor*, No. 612 of 1960, 1964 1 W.L.R. 807). The debts arose out of his position as a chairman and managing director of a company in the shares of which he had been extensively dealing.

There was found by the bankruptcy registrar to be no 'misfortune' in the case and the Court of Appeal agreed that there was not.

> 'A person who, deliberately and without any dishonesty being imputed to him, chooses this way of life, namely, to make his living by making capital gains on the stock exchange on borrowed money, cannot complain when his creditors call on him to pay what he owes', said Lord Justice Harman. 'Of such a debtor', continued his lordship, 'it cannot be said that he has qualified for the reward which the section gives to those who have become bankrupt purely by misfortune and without any misconduct on their part.'

Vulnerability to Insolvency

The debtor had been doing nothing wrong, for, as Lord Justice Davies remarked, 'people are entitled to make big profits in this way if they are clever enough to do so'. But it is clear that the debtor by his own choice had made himself vulnerable to insolvency.

In April 1959 he began a series of extensive dealings in the shares of a company of which he had been appointed chairman and managing director. Between that date and July 1960 he bought on credit 1,436,000 shares in the company – one and a half times the issued capital – at a total cost of £650,000, and sold for £318,000 some 836,000 shares. Immediately before July 6th, 1960, he had stock exchange securities to the value of £1,042,000, of which £1 million were in the hands of brokers and other persons to whom he owed money. On that date the Council of the Stock Exchange suspended dealings in the shares of the company which became unsaleable and the debtor was unable to meet his commitments to his brokers. No reason was given by the Council of the Stock Exchange for the suspension. On September 5th, the Council announced that certain information had been conveyed to the police, but no action was ever taken by them. Dealings in the shares remained suspended for two years. On September 21st, 1960, when a receiving order was made against him, he owed some £543,482 to his brokers. He was adjudicated bankrupt on November 29th.

The registrar found in 1963 that the debtor's assets were not of a value equal to 10*s* in the £ on the amount of the unsecured liabilities, and ordered a suspended discharge from bankruptcy, refusing a certificate of misfortune under section 26 (4) of the Bankruptcy Act, 1914. This subsection provides that:

> 'With a view to removing any statutory disqualification on account of bankruptcy which is removed if the bankrupt obtains from the Court his discharge with a certificate to the effect that the bankruptcy was caused by misfortune without any misconduct on his part, the Court may, if it thinks fit, grant such a certificate, but a refusal to grant such a certificate shall be subject to appeal.'

An appeal was brought against the registrar's decision but without avail.

Having referred to the precedents, the three members of the Court of Appeal were unanimous. Lord Justice Russell summed up the position thus:

> 'The debtor was a person whose expansive *modus operandi* was in large part to obtain short-term credit to finance his increasing acquisition of shares quoted on the stock exchange. He deliberately placed himself in a position of vulnerability to insolvency should those shares become unmarketable due to action by the Stock Exchange Council such as was taken in the present

case – that is to say, unmarketable for a longer period than his creditors would tolerate. When bankruptcy resulted, the cause of it was the position of vulnerability in which he had deliberately placed himself, and that is not "misfortune". That is so whether the action of the Stock Exchange Council was wise or unwise, whether it was to be expected or was a shock, whether it was correct or incorrect, and whether it was due to the fault of the debtor or to the faults of others.'

Misconduct and Misfortune

Before the prized certificate can be granted there are really two conditions which must be satisfied. 'One must find that there is no misconduct; and one must also find combined with that that there is misfortune. If one finds either some degree of misconduct or an absence of misfortune, then no certificate will follow.' This is how the matter was summed up in this year's case.

A good illustration is provided by the case of *In re Burgess* (1887, 4 Morr. 186) where the bankrupt had committed a criminal libel. While he was in prison serving sentence for that libel his property was sold at very short notice and he was made bankrupt on his own petition. He was refused a certificate of misfortune. He said that it was not his fault that while in prison his assets were sold at a great disadvantage. The debtor having uttered a criminal libel it could not be said that it was nothing but his misfortune that he suffered for it.

But the misconduct need not amount to a criminal offence. Thus in the case of *In re Campbell* (*Lord Colin*) (20 Q.B.D. 816) the debtor's difficulties started from his having sued a number of co-respondents whom he alleged to have committed adultery with his wife; he could not pay their costs when he failed to substantiate the charges. In refusing a certificate the Court said that it had no right to strike out the words 'by misfortune', and read the sentence as if it ran that the disqualification should be removed if the debtor obtains from the Court his discharge with a certificate to the effect that his bankruptcy was caused without any misconduct on his part. He had chosen to make unfounded charges and that was the cause of his bankruptcy. It could not, therefore, be said that there was no fault on his part intermingled with the misfortune which he had suffered.

'You must have not only absence of misconduct but you must find the presence of misfortune,' as Lord Justice Harman put it in *In re a Debtor* (1964, No. 612 of 1960).

Meaning of Misfortune

'It is impossible to give an exhaustive definition of the meaning to be attached to "misfortune". I think, however, we must hold that, when the bankruptcy is not solely the result of some accident over which, or over the direct conducing causes of which, the debtor has no control, it cannot be said to arise from "misfortune".'

This explanation was given by the Master of the Rolls in *In re Campbell* (*Lord Colin*).

One of the very few reported instances of a true misfortune for bankruptcy purposes is *In re Boulton Bros & Co* (1927 1 Ch. 79, C.A.). Partners had got involved in a bankruptcy because the partner who was active in the business in India had been entering into a number of entirely unjustified speculations: the other partners were engaged in the war or were on holiday. They had no reason to distrust his management of the business and they did not know what he was doing. As a result, the securities which were lodged by the partner entering into the speculations proved to be insufficient and the firm went bankrupt. Although the innocent partners' discharge was suspended for two years because of the statutory default, namely, that they entered into an engagement which they knew they could not fulfil, yet the Court said that at the end of the two years they might have a certificate.

This decision was supported by the following reasoning:

> 'The certificate we are granting is founded on this – it may be a benevolent view to take – that the downfall of the firm was caused by the speculations that were entered into by R.G.B. without the knowledge of the other partners and without any reasonable opportunity for them to have become acquainted with the speculations. I say that for this reason, that if the downfall of the firm had really been occasioned by the carrying of a great load of industrial securities on an insufficient margin, I do not think the fact that the depreciation which overtook those securities was unexpected would be a sufficient circumstance on which to come to the conclusion that there had been a misfortune within the meaning of that subsection, because I think that persons must be deemed to know that depreciations, and depreciations to a considerable extent, may take place in the securities they hold, and if they are holding them on a margin it may well be that the margin will run off and a liability ensue' (per Sargant, L.J.).

The last words in this passage are very pertinent to the facts of the recent case. And there was no question of the debtor having partners whom he could blame.

The Debtor's Choice

As to misfortune, he argued that he was not a member of the stock exchange, he had no control over the Council of that (as he said) wayward and arbitrary body, and that it was misfortune that they chose to act in the way they did. They refused, in spite of his request, to tell him why they did it, merely replying that it is not their custom to give reasons for their actions. He said that he did not see that he had any redress against them, that that was his misfortune. It was not necessary for the Court of Appeal to assume that the Stock Exchange Council's action was attributable to any conduct of the debtor, but neither was the Court prepared to assume that the Council's action was not justifiable.

'The cause of this bankruptcy was the way in which the debtor conducted his affairs,' said Lord Justice Harman. 'Within a period of eighteen months or so he started, when wholly insolvent, to build up this enormous so-called fortune of a million pounds on borrowed money, and when the Council of the Stock Exchange called a halt most of it disappeared as quickly as it had arisen.'

The principle seems to be that the debtor cannot rely on the alleged misfortune if it came about as a result of his own choice of action. The judgment of the last-mentioned member of the Court of Appeal concludes as follows:

'It must be the condition of his life that if things go wrong he must suffer the consequences, and I do not feel any doubt that it cannot be said that the disaster which he has suffered is entirely unconnected with any fault of his. The fault is that he has been living on borrowed money, and those who do that without a sufficient margin will, if the thing goes wrong, come to grief, as this man has. I need say no more about it than that in my opinion it cannot be said that he has qualified for the reward which the section gives to those who have become bankrupt purely by misfortune and without any misconduct on their part. I would dismiss the appeal.'

Estate Duty Planning–I

by K. G. M. HARDING, B.A., F.C.A.

Introductory

WHEN I was invited to write a paper on estate duty planning, and after much hesitation I agreed to do so, I soon became very conscious of my inability to deal, in a paper of reasonable length, with the very many points of detail which have to be considered in connection with estate duty problems. Many of such points were dealt with very adequately in the paper given by Mr B. G. Rose at the Summer Course at Oxford in 1959.

I have therefore endeavoured to deal rather with the general lines upon which such planning should take place and to indicate the various schemes which we, as accountants, could discuss with our clients, being fully conscious of the many varieties of estates, both as regards size and composition, which fall for consideration. For these reasons little or no attempt has been made to discuss all the changes which have been made in the various taxing Acts and the many items of case law, except in so far as they are essentially relevant to any particular proposal.

This is no new subject, for we learn that in 1690 Their Majesties' Agents for Bringing in the Taxes wrote to the Commissioners for the County of Durham: 'Complaints have been made that there are great endeavours used by setting up of Trusts and other Practices to abate the Taxes granted to their Majesties.'

2. The first Act dealing with taxation on the property owned by a person at the date of death, is the Legacy Duty Act of 1796, and this remained the principal statute regulating the payment of legacy duty, until such duty was abolished by the Finance Act, 1949.

The basic statute relating to estate duty, as we now know it, is the Finance Act, 1894, and whilst many of the provisions of this Act have either been amended or repealed subsequently, the present regulations originated under that Act.

Property Passing or Deemed to Pass

3. The overriding principles laid down in this Act are: A duty called 'estate duty' shall be levied and paid upon the principal value ascertained as hereafter provided of all property, real or personal, settled or not settled which passes on the death, at the graduated rates hereafter mentioned.

Section 2 of the Finance Act, 1894, provides: 'Property passing on the death of the deceased shall

The first part of a paper presented at the Cambridge Summer Course of The Institute of Chartered Accountants in England and Wales on September 10th.

be deemed to include the property following, that is to say:

(a) Property of which the deceased was at the time of his death competent to dispose.

(b) Property in which the deceased, or any other person had an interest ceasing on the death of the deceased, to the extent to which a benefit accrues or arises by the cesser of such interest.

(c) Any annuity or other interest purchased or provided by the deceased either by himself alone, or in concert or by arrangement with any other person, to the extent of the beneficial interest accruing or arising by survivorship or otherwise on the death of the deceased.'

Aggregation

4. Section 4 of the same Act provides: 'For determining the rate of estate duty to be paid on any property passing on the death of the deceased, all property so passing, in respect of which estate duty is leviable, shall be aggregated so as to form one estate, and the duty shall be levied at the proper graduated rate on the principal value thereof.

'Provided that any property so passing, in which the deceased never had an interest shall not be aggregated with any other property but shall be an estate by itself, and the estate duty shall be levied at the proper graduated rate on the principal value thereof . . .'

The other main exception to aggregation is where there passes on the death, unsettled property (e.g. the deceased's free estate) and settled property of certain types other than those referred to below, and the unsettled property does not exceed £10,000. In such event, the unsettled property will not be aggregated with the settled property, but will form an estate by itself.

Settled property, for the purpose of this provision, does not include property comprised in a settlement, either made by the deceased, or made directly or indirectly at his expense, or of which, though not made by the deceased, he had at any time been competent to dispose of the funds (e.g. under some power contained in the settlement deed).

5. Therefore one of the principles upon which any planning must be based is to endeavour to arrange a person's affairs by taking steps, either to reduce the total of his estate or to parcel out his property well in advance, so that aggregation does not apply. The plan must be such that any such parcel may not be deemed to pass by reason of the death.

Graduated Rates

6. Unlike surtax, where the rate payable increases in stages, and only the excess over a certain figure is payable at a higher rate, in the case of estate duty the position is different, in that once the total value of the aggregated estate exceeds a certain figure, the rate of duty is applicable to the whole of the property which has to be aggregated and not merely on the excess over that figure. The rates of estate duty at present in force are given in the Appendix. Special care should be exercised where the aggregated estate appears likely to be 'marginal'.

7. Clearly, therefore, the first step is so to plan that the aggregated total of (a) all the property, comprising the testator's private estate, which will pass upon his death and (b) any property which will be deemed to pass on his death, shall be reduced, as far as possible in advance of the death, and it is now proposed to examine the various steps which might be taken.

Much will depend upon the size of the estate involved, and upon its form or composition. One man's estate may consist of property and/or quoted investments, whilst another man may have all his capital locked up in a private business, and a third may be living on a salary or pension, but possess substantial assets in the form of whole life or endowment assurance policies.

Gifts *Inter Vivos*

(a) Small gifts

8. Small gifts which may, having regard to their size, and all the relevant circumstances, be considered part of the testator's normal expenditure will not be liable to estate duty; thus periodical small gifts might be made to children, even if minors, and could consist of National Savings Certificates or Premium Bonds, as they do not bear interest which under the Income Tax Act, 1952, section 397, might be deemed to be the income of the parent. Furthermore, small gifts not exceeding in the aggregate £100 in amount or value to any one individual, carry immediate exemption from estate duty. This relief is now largely superseded by (c).

(b) Small annuities

9. Where a small annuity not exceeding £52 is purchased by a man either for the life of himself and of another person, and the survivor of them, or to arise on his own death in favour of some other person, such an annuity is exempt from estate duty on his death, but such exemption only applies to one such annuity purchased, where there are more than one.

(c) Gifts under £500

10. Any gifts not exceeding £500 in the aggregate to any one individual before death will escape liability to estate duty, even if such gifts are only made a week or so before death; thus the total of the estate would be reduced (and possibly also the rate of estate duty). Marginal relief is granted where the gift slightly exceeds £500. The exemption does not apply to a gift of an interest in settled property, or to a gift made with any reservation.

(d) Gifts over £500

11. These will be liable to estate duty in the hands of the recipients if the donor dies within five years of making the gift, though some relief is given under the Finance Act, 1960, if the donor has survived two years. Section 64 of that Act provides that the value for estate duty purposes of a gift shall be reduced as follows:

(i) If the gift is made in the third year before death: by 15 per cent.

(ii) If the gift is made in the fourth year before death: by 30 per cent.

(iii) If the gift is made in the fifth year before death: by 60 per cent.

It should be noted that it is the value of the gift which is reduced: this may have an important bearing on the total aggregated value of the estate if the gift is a large one. Possession and enjoyment of the gift must be assumed at once by the donee, and no benefit must be reserved to the donor by contract or otherwise. A rent-charge or ground-rent in favour of the donor on a house, which was the subject of a gift, might be deemed to be a reservation of benefit to the donor.

12. In the case of gifts of a public or charitable nature, the liability extends only for one year from the date of the gift. Thus a testator who intends giving legacies to charities under his will, should consider making *inter vivos* gifts to such charities, and thus reduce the total value of his estate, which will pass on his death.

Many people are in the habit of making charitable subscriptions or donations under a deed of covenant. The following examples show how greater benefit could be achieved, if a gift were made during the lifetime to a charity or a charitable trust, in lieu of charitable legacies under a will.

13. There is also considerable benefit in the case of a surtax payer, in forming a charitable trust, as against a payment under a charitable deed of covenant, bearing in mind that the latter is not a valid deduction from total income in arriving at a surtax assessment.

Thus if a sum of £5,000 were put into a charitable trust, the gross interest, assuming this to be at the rate of 5 per cent, would be £250, and being charitable, no income tax is suffered thereon by the charity. In the case of the donor his gross income would be reduced by £250, for both income and surtax purposes; whereas if he had entered into a charitable deed of covenant he could have only deducted income tax at the standard rate upon making the payment but the gross amount would not be a valid deduction from his total income for surtax purposes. Thus the net cost to the donor is less, or alternatively at the same cost to himself, he could give greater financial benefit to the charity. This is based on the assumption that the donor intends to give £5,000 in charitable legacies under a will and that he can afford the loss of net income during his lifetime.

(e) Gifts in consideration of marriage

14. These carry an immediate exemption from estate duty regardless of amount. They may either be in the form of wedding presents, or an outright gift of cash or shares, or in the form of a settlement. Though normally such gifts would be by the father or mother of one of the parties to the marriage, they may be made to anyone in the success of whose marriage the donor may have an interest, e.g. a close friend. In the case of a gifted settlement, it should be made either before, and in consideration of marriage, or immediately after the marriage if it is made under an antenuptial agreement. Such a settlement may only be for the benefit of the parties to the marriage and/or their issue, though there would be no objection to the settlement conferring a benefit on other persons if the marriage proved childless. Such a settlement might be drawn so as to provide the means of future estate duty saving, by including a power to enable the trustees to terminate the settlement by handing over the funds to the beneficiaries, or by including wide powers of advancement which, if exercised, might considerably reduce the value of the settled funds which passed on a subsequent death, e.g. of the life-tenant, though no estate duty would be payable where the life-tenant was the surviving spouse. A discretionary trust might be suitable in this connection, and consideration is given later to this type of trust.

(f) Gift to wife

15. Where the wife, due to her age, has longer expectation of life, a husband should consider, in order to reduce the magnitude of his estate, a gift to his wife of cash, securities or property. Provided the five-year period is exceeded, and there were no reservations, such a gift would not be liable to estate duty. Careful consideration should be given to the difference in age between the husband and wife, because should the wife predecease the husband, the gift will, of course, form part of her estate and thus be liable to duty. Nevertheless, some saving may be effected, as the rate of duty may be lower.

Inter Vivos Settlements

16. A settlement formed by a man, provided he survives the five-year period, can usefully diminish his own estate, for duty purposes, so long as the settlor ensures that he can never benefit therefrom.

Apart from settlements on marriage which have been dealt with previously, there are many forms of settlement which can be beneficial.

17. The simplest form may be a settlement of funds by a husband giving his wife a life interest, with remainder over to his children. The husband will still

Comparison of Charitable Bequests with Charitable Trusts created inter vivos.

	By bequest	*By charitable trust*	*By bequest*	*By charitable trust*	*By bequest*	*By charitable trust*
	£	£	£	£	£	£
Capital of donor ..	54,000	54,000	100,000	100,000	120,000	120,000
Trust created during life	—	5,000	—	5,000	—	20,000
Funds liable to duty ..	54,000	49,000	100,000	95,000	120,000	100,000
Estate duty thereon ..	(35%) 18,900	(31%) 15,190	(45%) 45,000	(45%) 42,750	(50%) 60,000	(45%) 45,000
Net estate	35,100	33,810	55,000	52,250	60,000	55,000
Charitable bequest by will	5,000	—	5,000	—	20,000	—
Residue available for beneficiaries	£30,100	£33,810	£50,000	£52,250	£40,000	£55,000
	A gift of £5,000 has cost £1,290		A gift of £5,000 has cost £2,750		A gift of £20,000 has cost £5,000	

be liable for surtax on his wife's income from the funds so settled. The value of the funds will, of course, be liable to estate duty on the wife's death, but this may well be at a lower rate of duty than might have been the case, if the funds had been left in the settlor's personal estate. It is as well not to make the settlement too binding, so that at a later date, should circumstances permit, the wife might release her life interest or part thereof, and provided she survived a further five years from the date of the release, no estate duty would be payable on her death in respect of the funds, the interest in which she had renounced.

The trustees might be given special powers (apart from their statutory powers) of making advancements to the children (with the wife's consent) and matters might be so arranged that by the time of the wife's death, the whole of the funds have been paid out, and no funds remain to attract estate duty.

Settlement on Minor Children

18. This may take the form of settling property or investments, and provided the father survives the five-year period, an estate duty saving will be achieved, but where the settlor is the parent and the children are minors and unmarried, the settlement should provide for the income to be accumulated until the children attain the age of 21. Otherwise, under the Finance Act, 1952, the income distributed, e.g. for maintenance or education, will be deemed to be the income of the settlor parent for both income tax and surtax purposes. Settlements, however, on minor grandchildren carry no such restriction, and the income in so far as it is applied for the maintenance or education of such children, is not deemed to be the income of the grandchild's parent; but careful consideration should be given to the amount so applied, as the parent may lose the benefit of child allowance for income tax and surtax in respect of a child whose income exceeds £115 per annum from the settlement or other source, though marginal relief now applies, where such income slightly exceeds £115.

Settlement upon Protective Trusts

19. Though this form of settlement may save estate duty on the death of the settlor, the possibility of saving further estate duty on the subsequent death of a beneficiary should be borne in mind. In a case where a life interest is given upon 'Protective trusts', it is usually difficult to take any steps to effect a saving of estate duty on the death of the life-tenant, because the usual terms of such a protective trust are that if the life-tenant does, or attempts to do, anything by way of dealing or disposing of the life interest, the trustees hold the income on discretionary trusts for the application thereof for the maintenance, or otherwise for the benefit of all or any of a class which includes the principal beneficiary, his spouse, and his children or remoter issue. The fact that some of the latter may be as yet unborn, generally makes it impossible to terminate the trust by agreement, and it will normally be necessary to apply to the Court for an order.

Discretionary Trusts

20. A discretionary trust may provide even greater advantage. Subject to the usual rules regarding perpetuities, a discretionary trust may be the means of saving estate duty through several generations of a family. A discretionary trust is one where the destination of the income and capital, as between potential

beneficiaries, is placed entirely in the hands of the trustees.

It is therefore most important that the settlor should choose as trustees those upon whom he can unreservedly rely, and who are well aware of the settlor's wishes. The settlor could give the trustees a memorandum embodying his ideas and wishes, but this has no legal effect. Care must be taken to see that such a memorandum does not constitute a legal trust. There is the further point that the original trustees will, in course of time, be succeeded by others appointed to fill vacancies when the original trustees die or retire from the trust.

The trust can only last for a limited time, otherwise it would offend the rule against perpetuities. Often enough the term for such a trust is defined as a period ending twenty-one years after the death of the last to die, of our present Royal family.

So long as two or more objects of the discretion survive, no beneficiary has any greater right than the right to be considered by the trustees in the exercise of their discretion. There can therefore be no charge to estate duty so long as the objects of the trustees' discretion number more than two. When only two such beneficiaries are in existence, the death of either would attract estate duty, as the whole fund would then pass to the survivor, he being the sole remaining object of the discretion.

There is often a tendency to have a very large number of potential beneficiaries, as the objects of the trustees' discretion, such as all the settlor's children and their issue. Whatever is done in this direction, it is essential that the potential beneficiaries can, at any given moment, be ascertained with certainty.

Rather than use a very wide and therefore uncertain class, it is sometimes better to nominate a shorter list of beneficiaries, and couple with it a power to the trustees to bring the trust to an end, if required. This can be done by giving the trustees power to appoint the capital among additional beneficiaries, and so terminate the trust.

21. It is most important that the settlor be excluded from any possibility of benefit under the trust. The penalty for neglect of this proposition is assessment to estate duty upon his death, and the assessment of the trust's income upon the settlor under the Income Tax Act, 1952, sections 404 and 405, and under the Finance Act, 1958, sections 21 and 22.

Similar consequences apply for income tax and surtax, if the settlor's spouse is a potential beneficiary, although the estate duty advantage is not lost. The settlor's surviving spouse (e.g. widow) might, however, be included as a potential beneficiary, though some doubt exists whether this might be deemed an enlargement of a class.

22. Another class of beneficiary which brings with it special fiscal danger for income tax and surtax are the settlor's infant and unmarried children. This danger can be avoided if the income intended for such children is accumulated pending their attaining their majority. The trust must be irrevocable and there must be no possibility of running down the trust by appointment by the trustees of capital to the settlor or the settlor's spouse.

23. The discretionary settlement of a Married Women's Property Act policy is useful, provided it is only desired to have a limited class of beneficiary: i.e. the children of the marriage.

Where the discretionary class is made to consist of the settlor's children, their wives or husbands, and their issue, the trustee could utilize the income in the most advantageous manner, so as to ensure the maximum benefit for income and surtax purposes. The trustees could pay for the education and maintenance of minor grandchildren. Such income would be deemed to be the income of the grandchildren and not of their parents. The parents of the grandchildren would also not forfeit the child allowance for tax purposes, provided the amount so applied by the trustees did not, together with any other income, exceed a total of £115 in the case of each grandchild, with marginal relief as stated above.

Powers of Appointment

24. These may be either general or limited. Where a testator has a general power of appointment over funds held in a trust (and such a power is defined as including every power or authority enabling him to dispose of the funds as he thinks fit) the funds will be liable to estate duty upon his death, whether he does in fact exercise the power in his will or not.

This position, however, does not apply where the power of appointment is limited. For example, where under A.'s will a life interest is given to B., his widow, with remainder to their children as B. (the life-tenant) shall by deed or will appoint, this limited power does not render the holder of the power competent to dispose of the funds which are therefore not liable to estate duty on B.'s death.

25. Such cases need to be carefully considered, because under certain circumstances, the mere failure to exercise the power of appointment may render the funds, which are the subject of the appointment, liable to duty. If B., the widow, by failing to exercise the limited power, might in some way obtain control of the funds for herself, she thus becomes competent to dispose of them, and a liability to duty arises, e.g. under the circumstances mentioned B., the life-tenant, has a limited power of appointment between her children C. and D., and in default of appointment to C. and D. equally: should C. die during B.'s lifetime and his estate is bequeathed to B., or if B. becomes entitled to C.'s estate under an intestacy, the funds thus become disposable by B., and so dutiable. If, however, after C.'s death B., whilst still living, irrevocably appointed by deed the remainder to D., there is no risk of any liability to duty.

(To be concluded.)

COUNCILS IN SESSION – XI

By special permission of the Government of Prince Edward Island this photograph of the Executive and Council of The Canadian Institute of Chartered Accountants was taken in the Confederation Room, Charlottetown, Prince Edward Island. It was around this table in 1864 that delegates from the Legislatures of New Brunswick, Nova Scotia, Prince Edward Island and Canada met to consider the Union of the British North American Colonies. It resulted in 1867 in the birth of the Dominion of Canada.

(*Seated nearest camera reading clockwise*): Messrs J. C. Archibald (Saskatchewan), P. J. Gardiner (Newfoundland), A. W. Bell (Alberta), Marcel Caron (Quebec), F. T. Denis (Quebec), J. V. Criddle (Nova Scotia), W. E. Clarke (Saskatchewan), T. A. M. Hutchison (Ontario), W. F. Anderson (Alberta), R. A. Melanson (New Brunswick), J. A. G. Page (New Brunswick), D. O'Brien (British Columbia), S. M. Milne (Manitoba), E. N. H. Wright (Manitoba), J. B. Ewing (British Columbia), L. J. Smith (Ontario), J. R. M. Wilson (Ontario)*, R. L. Bamford (Saskatchewan), second vice-president*, J. W. Abbott (Manitoba) immediate past president*, D. R. Lukin Johnston (British Columbia) first vice-president*, H. I. Ross (Quebec) President*, R. D. Thomas, Executive Secretary, H. R. Macdonald (Ontario) Treasurer*, G. E. Hayman (Nova Scotia)*, E. M. Hunter (Newfoundland)*, R. D. Manning (Prince Edward Island), E. A. Geddes (Alberta), G. D. Dennis (Prince Edward Island), W. D. Coleman (Nova Scotia), and J. F. Lewis (Quebec) (*seated centre of table*).

* indicates member of Executive.

The Accounting World

RHODESIA

The Rhodesia Society of Accountants

MR ALAN UNDERWOOD, F.C.A., C.A.(S.R.), a partner in the firm of Deloitte, Plender, Griffiths, Annan & Co, of Bulawayo, has been elected President of The Rhodesia Society of Accountants for 1964–65. This is the second time Mr Underwood has been President, having previously held the office in 1950–51.

Born in Bulawayo in 1904, Mr Underwood served articles in London, and was admitted to membership of The Institute of Chartered Accountants in England and Wales in 1928. He became a member of The Rhodesia Society of Accountants in 1935, and has been a member of the Council since 1947. Mr Underwood has served as a member of several Government Commissions and committees and has given considerable service to the accountancy profession in Rhodesia.

Mr W. A. Duff, C.A., C.A.(S.A.), C.A.(S.R.), a partner in the firm of Geo. MacKenzie & Co, of Salisbury, has been elected Senior Vice-President, and Mr W. J. S. Bosworth, F.C.A., C.A.(S.A.), C.A.(S.R.), financial controller and chief accountant, Central African Power Corporation, Salisbury, has been elected Junior Vice-President.

Annual Report

The annual report of the Society for the year ended March 31st, 1964, presented at the recent annual meeting, records a total membership of 628.

Thirty-two clerks entered articles during the year – the same number as last year. The figures for 1962 and 1961 were thirty and twenty-nine respectively. The number of clerks entering articles, the report states, remains well below the requirements of the profession. In spite of the efforts made by district societies and members in practice, the number of articled clerks registered during the year was low – equivalent to one new articled clerk to every eight practising members. This, states the report, compares with the figure for The Institute of Chartered Accountants in England and Wales of one articled clerk to every three practising members.

It has been the practice, goes on the report, of most members engaging articled clerks to take them for periods of up to three months before submitting articles for approval by the Council which can antedate articles for this period. It is now proposed to abolish this system and substitute a compulsory six months' probationary period, forming part of the articled service.

Referring to the work of the Council and its committees, the report states that a meeting was held in September of last year between a member of the Society's Law Committee and Government representatives to see what clauses in the Federal Companies Bill could be incorporated in the Southern Rhodesia Companies Amending Act. As a result of the meeting certain of the Society's recommendations, which included a new form of audit certificate, were incorporated in amending legislation. The committee also gave consideration to the Bill to amend the Audit and Exchequer Act, 1948, and representations were made on the Bill to the Comptroller and Auditor-General. The Public Relations Committee made a number of recommendations to the Council on public relations including the draft of a booklet entitled *Chartered Accountant (Southern Rhodesia)* which it is hoped will be published shortly.

SOUTH AFRICA

Participation Bonds

IN South Africa, the practice of the small investor of acquiring a share or 'participation' in a mortgage bond of large amount has grown apace over the years. Many of the bigger, long-established firms of estate agents and administrators have for years encouraged the small investor in this way by operating investment and trust companies which go in for 'participation bonds' on a large scale. Inevitably, minor abuses have crept in and, in particular, difficulties over registration of a participant's title, interest and rights in such bonds have become worrying.

The new Participation Bonds Act, 1964, now enacted and recently promulgated, is designed to overcome all these difficulties. The Act provides for the introduction and registration of 'participation bonds' which are defined as 'a mortgage bond over immovable property which is described as a participation bond and is registered as such in the name of a nominee company and is included in a participation scheme'. The Act provides for the registration of such bonds, the establishment of nominee companies as trustees, the rights of participants, the drawing up of rules for participation schemes and other ancillary matters.

Every 'manager', which means a company, firm or person with whom a nominee company has entered into an irrevocable agreement providing for the management of participation bond schemes, is required to cause the registers and books of accounts of every scheme managed by him, including such registers and books of account as may be kept by the nominee company, to be audited by an auditor registered under the Public Accountants' and Auditors' Act, 1951.

The auditor is required to report on specific matters in relation to participation schemes coming under his review; a copy of his report is to be furnished to the Registrar of Unit Trust Companies and is to be available in every office or place in which the manager is

required to keep the register of bonds and participations for inspection by any interested person.

This new Act should do much to clarify and strengthen the position of participation bonds in the economy of the country.

New Bills of Exchange Act

A NEW Bills of Exchange Act to consolidate and amend the laws relating to bills of exchange, cheques and promissory notes has recently been gazetted, having been assented to by the South African President earlier this year.

The Act has introduced important changes in the law and practice relating to the endorsement of cheques. These changes have been brought about with the primary object of doing away with the necessity for endorsement in certain circumstances – and is broadly in line, though with some differences, with the Cheques Act, 1957, in the United Kingdom.

Henceforth, cheques paid in for the credit of the account of the payee will not require endorsement; this applies whether the account is kept at the branch of the bank at which the cheque is paid in or at another branch or at another bank. Endorsement will continue to be necessary in the case of cheques cashed across the counter, negotiated cheques, cheques payable to more that one payee, bills of exchange (other than cheques), promissory notes and travellers' cheques.

Another section of the Act provides that if an unendorsed or irregularly endorsed cheque has been paid by the banker on whom it is drawn, such payment shall be prima facie evidence of the receipt by the payee of the sum mentioned in such cheque. The effect of this section is to render superfluous a receipt either attached to or embodied in a cheque. The commercial banks have therefore recommended that in order that the maximum benefits of the new legislation may be obtained by all concerned, the practice of including receipts on cheques should be discontinued forthwith.

Memorandum to Company Law Reform Committee

THE memorandum submitted by the Joint Council of the Societies of Chartered Accountants of South Africa to the Judicial Commission of Inquiry investigating the need for amendment of the Companies Act, 1926, was issued recently after having been presented to the Commission. The memorandum is possibly the most lengthy document ever prepared by the Joint Council and represents hours of close study and discussion over the past two years or more by the special task committee of the Joint Council to which its preparation was assigned. There are over four hundred paragraphs contained in nearly sixty pages of the memorandum.

Generally speaking, the Joint Council can be said to have confined its comments and recommendations to those sections of the Companies Act which fall within the scope of the duties of members of the accountancy profession, whether they be in public practice or engaged in commerce or industry. While reference is made on numerous occasions to the report of the Jenkins Committee, the memorandum does not always support or accept the conclusions reached by that committee in its report.

In particular, the memorandum devotes a considerable amount of discussion to the adjustment in various directions of the rights, powers and duties of directors of companies. Some attention, too, is paid to requirements in regard to annual accounts, the directors' report and the chairman's statement. One remarkable change, if accepted, is foreseen in the suggestion that the rigidity implicit in the term 'true and fair' should be replaced by a requirement that accounts should 'fairly present' the state of affairs of a company and its profit and loss for the period, with concomitant amendments in the terms of the auditor's report and in relation to the content of group accounts.

The memorandum makes specific recommendations in regard to take-over bids. Whilst the Joint Council is of the opinion that there should be as little restriction as possible on persons wishing to bid for the control of a company, it nevertheless considers that some additional legislation should be introduced in order that the rights of shareholders in the offeree company may be more adequately protected. In making its recommendations in this respect, the Joint Council acknowledges its indebtedness to New Zealand where the Companies Act was recently amended to cover take-over bids.

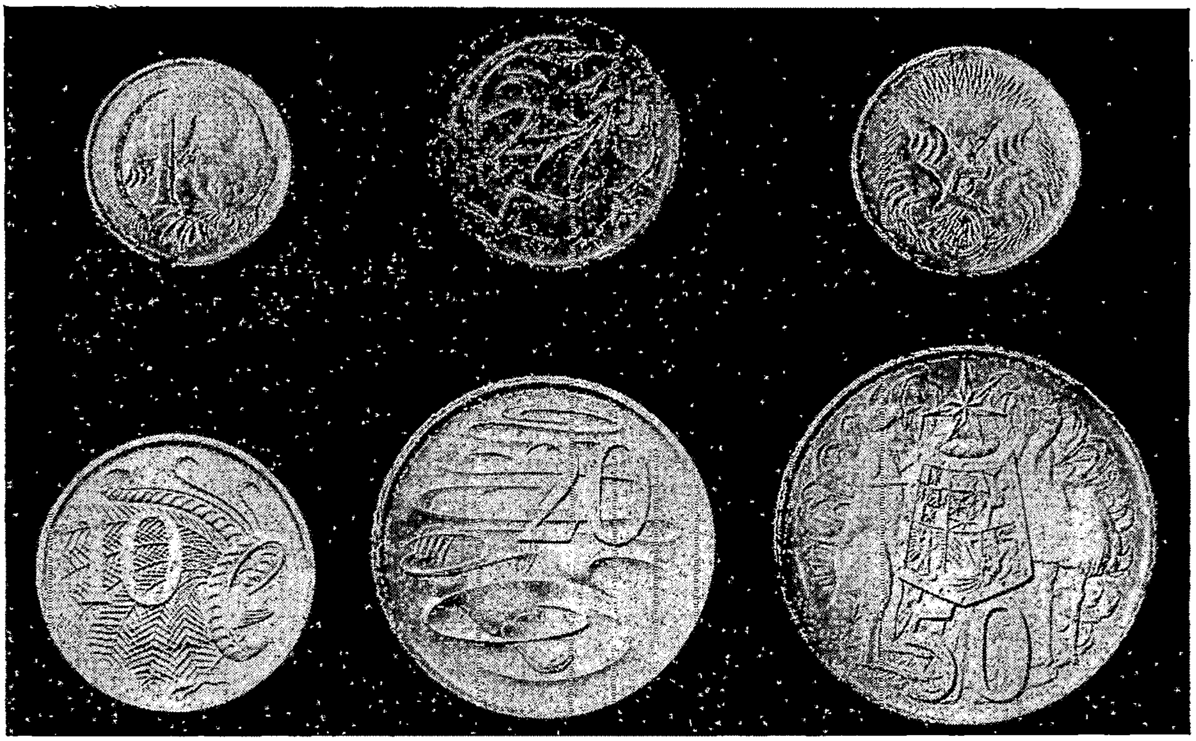
Various changes and adjustments of the Eighth Schedule are advocated in the memorandum and it is noteworthy that the Joint Council feels that the suggestion that every company should be required to disclose its annual turnover is somewhat far-reaching and it therefore recommends that, as an alternative, some meaningful information with regard to turnover, such as a percentage increase in comparison with the previous year's turnover, be required to be disclosed in the directors' report.

UNITED STATES

Authority of the Accounting Principles Board

THE Executive Committee of the American Institute of Certified Public Accountants has recommended to Council that opinions of the Accounting Principles Board be considered the only generally accepted accounting principles for expressing an opinion on financial statements, reports a recent issue of the *Journal of Accountancy*. This would mean that a member would be required to draw attention to departures from Board pronouncements.

There is said to have been considerable division of opinion in regard to this. The proposal has been attacked as 'authoritarian' and, on the other hand, defended as a natural extension of the profession's disclosure requirements. Precise proposals were to be submitted later for action by Council, followed by submission to the annual general meeting, if approved,



The Australian decimal coins, referred to in the note below, which are to be brought into circulation in February 1966.

and then to all members for vote by mail ballot. The *Journal* concludes that it is cause for optimism that the profession is keenly aware of its responsibilities.

Challenge to Managerial Accounting

MR JOHN A. BECKETT, Forbes Professor of Management in the Whittemore School of Business and Economics at the University of New Hampshire, writing in a recent issue of the *N.A.A. Bulletin* states that critics believe that managerial accounting is essentially an off-line information system whose reaction is painfully slow. Monthly reports are preposterous, weekly reports are absurd, and even daily reports of operations are virtually useless, at least for the needs of tomorrow. He quotes an authority as saying that the process of passing information from the bottom up to the president, and from him down to subordinates, is 'a modern bucket-shop brigade, with about 50 per cent slop'. Information systems development aims at instant information, and the next step is on-line automatic reaction. Professor Beckett says that this step has already been taken for many business operations.

AUSTRALIA

Australian Decimal Coins

DETAILS of the designs of the new coins which will be introduced in Australia when the decimal currency system comes into operation in February 1966, have been announced and are illustrated above.

Commenting on the new coins the Australian Federal Treasurer, Mr Harold Holt, states that the decision to change over to decimal currency provided a challenging opportunity to design a completely new series of coins which would incorporate typically Australian motifs. He added that the existing Australian coins suffered from having been built up more or less piece-meal over the last fifty-four years. In no sense did they represent a family of designs, nor did they give adequate recognition to the large number of uniquely Australian motifs which could be adapted to the requirements of modern coin design.

It was decided, therefore, that new coins should have as a common theme illustrations of Australian wild life, especially as many of the animals and birds in Australia are unusual and not found elsewhere in the world. The six new coins are as follows:

1-cent – the feather-tail glider (smallest of Australia's gliding marsupials).

2-cent – the frilled lizard (found only in the tropical north of Australia).

5-cent – the echidna or spiny ant-eater (one of the only two egg-laying mammals – the other is the platypus).

10-cent – the lyrebird.

20-cent – the platypus (Australia's other egg-laying mammal).

50-cent – the Australian coat-of-arms – which is supported by the kangaroo and the emu.

The obverse of each of the new coins carries an effigy of the Queen. On the left of the effigy will appear the words Elizabeth II and on the right Australia 1966.

Weekly Notes

INTERNATIONAL MONETARY CO-OPERATION

THE annual meetings of the International Monetary Fund and the World Bank were held in Tokyo throughout last week. In his opening speech, Mr George Woods, President of the World Bank, described the changes now being made in the policies of the Bank, particularly as regards the provision of additional funds to the International Development Association and the International Finance Corporation, easing terms of repayment and dealing with the growing debt problems of the underdeveloped countries. Loans made or agreed by the three institutions during the past year totalled $1,100 million.

As a result of the growing pace of lending the World Bank will need to raise substantial sums in the capital markets of the world during the coming year and it is expected that issues of World Bank bonds will be made in Zürich and Frankfurt before the end of 1964.

A feature of the Tokyo meeting has been the extent to which the poorer countries have decided to co-operate in presenting an agreed statement of their views. Thus at an early stage joint views were put forward by the Latin-American Countries, Jamaica and the Philippines on a number of important questions. If such co-operation can be extended and leads to a more responsible attitude on the part of borrowers it will encourage the more liberal attitude now being adopted by the Bank and a real contribution to the problems of the underdeveloped countries may result.

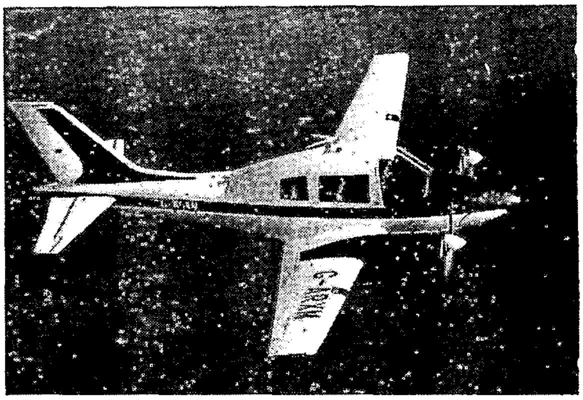
The other important requirement is that a permanent system should be built up for dealing with speculative attacks on the leading Western currencies. Here progress may be slow since although there is general support for the proposed increase in the quotas of I.M.F. members there are a number of conflicting views between the industrial nations, which are expected to take time to reconcile.

AIRCRAFT FOR EXECUTIVES

VISITORS to the Society of British Aerospace Companies' biennial airshow at Farnborough last week were subjected to the nerve-shattering noise of a formation of Lightning aircraft of the R.A.F. flying past at 0·95 Mach, about 725 m.p.h., and witnessed an impressive demonstration by the Combined Services of an airborne assault by troops who were carried to their objective by helicopters, supported by naval and airforce low-level bombers. The latest civil aircraft could be seen at close quarters, including the Super V.C. 10, the B.A.C. One-eleven and the Trident, all of which can already or will shortly be seen – and heard – regularly by those who live near London Airport.

Apart from these more obvious attractions there were many other aircraft being put through their paces for prospective buyers from other countries as well as from the United Kingdom. Of particular interest were the smaller aircraft which have been specially designed or which can be adapted for use by business executives. Directors of large companies are turning their thoughts more and more to the possibilities of using their own light aircraft for travel between branches and factories or for tours either at home or on the Continent. For some years the De Havilland Dove has been used as an executive aircraft, and this plane, now known as the Hawker Siddeley Dove 8, can be fitted out as an office for four executives plus two secretaries. It has a range of 1,000 miles and cruises at about 200 m.p.h. The basic price of the Dove is about £45,000.

A new aircraft designed to fulfil this role, the Beagle B.206 (illustrated below), was shown this year.



The new Beagle B.206.

This little plane is powered by two Rolls-Royce Continental six-cylinder engines and can carry seven people in addition to the pilot or be converted into an office for four persons, complete with desk-tops and dictaphone machines. Its basic price is quoted at £35,000. The makers have calculated that the yearly cost of operating this aircraft would be in the region of £16,000, including fuel, landing fees at airports, the salary of a professional pilot, maintenance and parking and about one hundred thousand miles of travelling. This seemingly high cost is brought into perspective when the total financial loss to a company is calculated of the unproductive man-hours spent by highly-paid executives using normal

travel facilities when on a long tour, taking into account fares, hotel accommodation, meals and other incidental expenses, to say nothing of fatigue and difficulties in making connections between commercial flights or even trains.

Hawker Siddeley have produced, with the same idea in mind, their HS 125. This very attractive aircraft with the 'modern look' has two Viper turbojet engines set in the rear and a high tail. It is a fast plane, with a cruising speed of about 500 m.p.h., having accommodation in its pressurized cabin for four executives, two secretaries or other personnel and two pilots, and is equipped with a small galley, a lavatory and a luggage bay. Like the large jet airliners it flies high above the weather, but can still use small airfields when necessary. The basic price is quoted at £187,500.

The Handley Page Herald, a much larger aircraft, can also be adapted for executive use. By virtue of its size – it normally carries up to fifty passengers – its interior can be designed to meet individual requirements, with separate rooms for executives and staff. Space can be found additionally for a dining-room or an off-duty lounge, and the plane is fitted with a full-sized galley and could carry a stewardess. The Herald can be virtually transformed into a flying hotel for the exclusive use of its owners, and despite the fact that it is four times as large as the other aircraft mentioned above, it can be used from small airfields as it needs a very short runway.

It would seem to be a fairly safe prediction that within the next decade a company's private aircraft will be as essential a piece of equipment as an adding machine – and perhaps the aircraft manufacturers will be showing their latest models at the Business Efficiency Exhibitions!

CAMBRIDGE SUMMER COURSE

Some personalities at the Cambridge Summer Course of The Institute of Chartered Accountants in England and Wales held from September 9th–13th. The first part of one of the papers presented at the course appears elsewhere in this issue.

Front row (*left to right*): Mr A. G. Thomas, F.C.A., *member of Council*; Mr J. H. Mann, M.B.E., M.A., F.C.A., *Chairman, Courses Committee*; Mr W. Guy Densem, F.C.A., *President*; Mr M. C. Ashill, F.C.A., *Under-Secretary*; Mr J. F. Allan, F.C.A., *member of Council.*

Second row (*left to right*): Mr G. R. A. Wixley, O.B.E., F.C.A., *Leader of Group D*; Mr L. H. Clark, F.C.A., *Leader of Group E*; Mr D. Napper, F.C.A., *Speaker*; Mr K. G. M. Harding, B.A., F.C.A., *Speaker*; Mr G. A. Holmes, F.C.A., *Assistant Editor, 'Accountancy'*; Mr J. G. Simpkins, F.C.A., *Speaker*; Mr J. E. Sharman, F.C.A., *Leader of Group F*; Mr E. J. Frary, F.C.A., *Leader of Group B*; Mr G. Buchband, *Institut Francais des Experts Comptables*; Mr N. D. Robinson, *Conference Clerk*; Mr W. Taplin, M.A., B.COM., *Editor, 'Accountancy'*.

Back row (*left to right*): Mr D. P. Hubbard, B.A., *Assistant Secretary*; Mr G. S. Major, T.D., B.COM., F.C.A., *Leader of Group H*; Mr A. K. Gill, F.C.A., *Leader of Group G*; Mr D. G. Richards, F.C.A., *Leader of Group A*; Mr D. S. Smith, M.A., F.C.A., *Leader of Group C.*

POPULATION AND THE SOUTH-EAST

EVER since the South-east Study was published some months ago there has been a growing recognition that the expected population 'explosion' in the south-east of England between now and 1981 is going to be one of the main social and economic problems for the country's economic structure in the next two decades.

A series of comments were issued on the South-east Study by the Incorporated Association of Architects and Surveyors last week. The Association says that a basic query is whether the expected increase in population of 3·5 million in the south-east area by 1981 is desirable and whether it can be limited. National policy has been to arrange the tax structure and the welfare service to favour larger families. In future it may be desirable to reverse this trend to give financial incentives for smaller rather than larger families. The Association thought counter-attractions to the south-east could be provided in other regions by indirect financial incentives and that a contribution towards a more

---

This is My Life . . .

by An Industrious Accountant

CHAPTER 242

LOOKING through Situations Vacant columns always holds a sort of nostalgic melancholy. What might have been if one had chosen differently? In long moments of tension or friction with the unreasonable boss, when neither he nor his fuming accountant quite say the irrevocable words which mean a breach . . . when one stamps back to one's desk swearing that one just won't stand for his nonsense . . . that's the critical moment when we snatch up the paper. It's the moment of decision; do we apply for another job or does inertia keep us quiescent?

Time was when I used to pore over the jobs advertised in the pages of *The Accountant* . . . Bombay, Peru, Kenya . . . the thoughts of youth are long, long thoughts. Not any more. *Eheu fugaces.*

What outlets are there today for the accountant who wants a change? Are the rewards commensurate with his talents? Reversing the query, have we in the profession fostered those talents which deserve the richest rewards? Have we tailor-made our supply to the demand?

I looked through some recent papers to try to seek the answer to that six-marker. At first sight the prospects seemed bright. There were eighteen closely-packed pages in *The Accountant* alone, catering for practising, and industrial, and minor specialized categories. The range was wide, though it seemed the demand was largely for young qualified men; little scope was there for the over-thirty-fives, apparently. The salaries were reasonably good; plenty in the £1,500–£2,000 range, a handful over £2,000, nothing, however, as high as the £2,500 mark. Something remunerative . . . but in Angola; something 'including inducement allowance' . . . but in Uganda. Not a bad selection on the whole, it is true – but, again, not exactly wonderful. Still, new candidates start on a probationary basis till they prove themselves; increments should follow soon.

A survey of the eight pages of situations vacant in a prominent Sunday newspaper highlighted some trends. Ignoring the small stuff, the vague generalities and the services, I listed the hundred leading opportunities as follows:

Accountants	13
Managers (assorted)	14
Salesmen	13
Chemists	7
Engineers	31
Directors	6
Office (computers, O. & M., etc.)	10
Others	6
	100

Of the accountants, seven were to be under age 30; one was up to 35 and one was 'over 30'; three were unspecified, and one was 35 to 45. So much for the demand for experience or maturity or the wisdom of age! The salaries, where mentioned, were low enough. Only one good figure . . . but in India, for a two-year contract.

The worth-while jobs weren't for accountants. What industry wants – it seems – for salaries topping the £5,000 mark are men in marketing – super-salesmen . . . the go-getters . . . who willy-nilly bring in the orders. Production and industrial negotiation skills are useful accessories, but, let's face it, ability to sell is the *sine qua non* for the job. They stand or fall on that talent.

Those advertisements imply that accountancy only goes so far; we establish a breathless bridgehead at 30 and dig in, the road ahead being oft-times slow and tedious. The death-or-glory salesmen storm the surtax strong points at 45. We certify the balance sheets but they earn the dividends – or so it would seem.

True, not many companies are there without an accountant (their tame financial wizard) on the board – and some there be who wield the chairman's gavel – fortunate, indeed, are these favoured few! Would that such opportunities could be increased a thousand-fold.

even spread of population would be the creation of new villages and the expansion of existing ones.

On land prices it says that it is improbable that developers, either public or private, will be willing to accept land prices which make land development uneconomic. They say it is noticeable that no detailed scheme for the control of land values in an equitable way has ever been really effective or ensured a steady supply of development land. The Association goes on to criticize new town development corporations for not encouraging sufficient social and architectural diversity and it calls for cross-fertilization of ideas between public planners and private interests to overcome the problem of over-crowding in the south-east.

COST ACCOUNTANTS' EXAMINATIONS

SEVEN thousand two hundred and fourteen candidates sat at seventy-four centres in the United Kingdom and overseas for the June 1964 examinations of The Institute of Cost and Works Accountants. Three thousand five hundred and sixteen were successful. This was the first examination to be held on the Institute's new five-part syllabus, replacing the old Intermediate, Final and Management Accountancy examinations, which were held for the last time in 1963. The prizewinners were:

The S. Laurence Gill Prize for First Place in Part V
Mr Duncan Macdonald Moir, of Glasgow.

The Lewton Coronation Prize for Advanced Accountancy and Financial Management (Part V)
Mr Dion Louis de Beer, A.C.A., of Randburg, Transvaal, South Africa.

The Beyer Peacock Prize for Management Principles and Practice (Part V)
Mr Francis John Morine, of London SW5.

The Leverhulme Prize for First Place in Part IV
Mr Ian Smelt, of Macclesfield, Cheshire. Mr Smelt previously won the George Russell Memorial Prize for First Place in the Intermediate examination held in December 1962.

The Donald L. Moran Prize for First Place in Part III
Mr Anthony Eric Isaac, of Beeston, Nottinghamshire.

The W. B. Flowers Prize for Financial Accountancy (Part III)
Mr Addanki Butchi Venkata Rao, of West Bengal, India.

The George Russell Memorial Prize for First Place in Part II
Mr Ronald Arthur Morgans, of Richmond, Surrey.

The Roland Dunkerley Memorial Prize for First Place in Part I
Mr John Alexander Jefferson, of Cuxton, Kent.

The names of those successful in certain parts of the examination, together with a full summary of the results, appear elsewhere in this issue.

Finance and Commerce

Copperad

COPPERAD Ltd, whose accounts for the year to March 31st, 1964, form this week's reprint, is one of the big names in central heating and air-conditioning, a field in which the growth rate is decidedly strong. Ten years ago Copperad's taxable profits were under £25,000, and the company went public on the basis of 1961–62 profits of just under £130,000.

In his latest report, Mr E. B. T. Tanner, the chairman, draws shareholders' attention to the transfer of £20,000 to Bad Debts Reserve and of £30,000 to Development Reserve. The company's practice, he says, has been to charge to profit and loss account the whole of development expenses 'whether they be in connection with the development of new products or the development of new territories'.

This, Mr Tanner considers, distorts the actual trading profit of the company. In future, when exceptionally heavy expenses are incurred on either of those two items, they will be treated as 'a deduction below the line'. For that purpose the development reserve, with the latest transfer, has been brought up to £50,000.

Debts Procedure

Similarly the practice has been to deduct bad debts and reserves for doubtful debts as a trading expense. 'Here again', Mr Tanner remarks, 'it is felt that when there are exceptionally heavy bad debts it can distort the trading results of the company and, by the same token, when the bad debts in any given year happen to be small it apparently unduly inflates them.'

In future the trading results of the company will not take account of bad debts incurred, or doubtful debts in prospect. These will be taken care of 'below the line' and will be met from the general bad debts reserve.

The procedure to be adopted will be that each year what is considered to be a reasonable average sum will be transferred to the reserve and the actual figures, which should be prudently taken care of in the known circumstances obtaining at the time (less tax), will be taken out of the reserve, below the line.

The initial transfer of £20,000 is substantially more than the company's average bad debt experience. In the latest accounts bad and doubtful debts have been reserved above the line, as before.

Keeping in Front

The development reserve point is particularly pertinent for a company in which keeping in front, if possible, and necessarily abreast, of new developments is of prime importance. In the past year the company's range of natural convectors was completely redesigned, and in the sphere of new products, the company is launching 'Copperad ductline induction-type continuous-run air conditioning equipment'.

'This', the chairman says, 'is an entirely new conception in air conditioning equipment for commercial buildings and represents an immense step forward, putting this company ahead of all others in this class of apparatus.'

Overseas the company has licensees in New Zealand and Australia. In the European Common Market the company has taken a substantial interest in Tkerj Reijenga N.V. That company's name has been changed to Copperad-Pilastro N.V., and production space is to be doubled.

Meanwhile, the company's direct export business is considerable. The value of direct export orders increased by 40 per cent last year. That, by itself, looks impressive but it would look better matched against a turnover figure and given as a percentage of that figure. But turnover is not a statistic which appears in the Copperad report. Mr Tanner merely reports 'record turnover and profits'.

Profit Sharing

Copperad introduced a profit sharing scheme in 1961. All employees with five years' service or more participate. In the past year, 194 employees shared £22,709, the average payment being £117. The employee is issued with a 'profit sharing for retire-

COPPERAD LIMITED AND SUBSIDIARIES
CONSOLIDATED PROFIT AND LOSS AND APPROPRIATION ACCOUNT

	Year Ended 31st March 1964 £	£	Year to 31st March 1963 £	£
GROUP TRADING PROFIT (before charging the following items of expenditure)		438,170		305,481
DIRECTORS' EMOLUMENTS:				
As Executives	50,974		44,712	
Directors' Fees	1,175		1,570	
Directors' Pensions	1,050		1,300	
		53,199		47,582
Audit Fee and Expenses		1,453		1,212
Interest on Debentures		6,199		6,884
DEPRECIATION:				
Improvements to Leasehold Premises	1,257		1,057	
Plant and Machinery	30,924		28,481	
Furniture and Fittings	9,942		8,103	
Motor Vehicles	11,610		9,170	
		53,733		46,811
		£114,584		£102,489
		323,586		202,992
GROUP PROFIT BEFORE TAXATION				
Provision for Taxation on Profits of the year:				
Income Tax	116,157		73,646	
Profits Tax	46,425		28,850	
(Note: the charge for taxation is as reduced by Investment and other Capital allowances including those on Freehold Buildings which have not been depreciated.)		162,582		102,496
GROUP PROFIT AFTER TAXATION		161,004		100,496
Add: Unappropriated Profits as at 1st April 1963		77,953		50,047
Credits received relating to previous years		—		1,200
		238,957		151,743
APPROPRIATIONS:				
Expenses of reorganisation and issue of Capital and of Stock Exchange advertisement	—		15,436	
Transfer to General Bad Debts Reserve	20,000		—	
Transfer to Development Reserve	30,000		20,000	
	50,000		35,436	
DIVIDENDS FOR THE YEAR (*less tax*):				
7½% Preference Dividend	6,891		5,742	
7% Preference Dividend to 30th June 1962	—		456	
Interim Ordinary Dividend—5% paid 31st January 1964	12,250		8,575	
Proposed Final Ordinary Dividend of 17½%	42,875		23,581	
Proposed Final 'A' Ordinary Dividend of 17½%	10,718		—	
	72,734		38,354	
		122,734		73,790
UNAPPROPRIATED BALANCE OF THE GROUP				
Copperad Limited	94,845		60,422	
Subsidiaries	21,378		17,531	
		£116,223		£77,

ment' certificate covering the net amount due. Interest on the certificates is paid annually at 6 per cent and redemption is normally made on retirement.

The company has also adopted a scheme ensuring security of employment for all employees with five or more years' service. Under the scheme, for example, all employees of all grades with five years' service or more are entitled to five weeks' notice. Full pay for a minimum of five weeks is assured in the event of sickness or other unavoidable absence.

The company also operates a contributory pension scheme, and there is free life assurance for all those who are included in the pension scheme.

Copperad, incidentally, is a company which makes something of its annual meeting. This year, like last, the meeting was held on a Saturday – the place this year being the company's new works being built at Wolverton, Bucks. The meeting at noon was followed by a foundation stone ceremony and a buffet lunch.

COPPERAD LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

This Balance Sheet is presented in "Narrative" form. For further details see the Notes on page [357] which form a part of these accounts.	31st March 1964		31st March 1963	
CAPITAL EMPLOYED:	£	£	£	£
SHARE CAPITAL:				
Authorised (Note 1A)		£1,000,000		*£700,000*
Issued (Note 1B)		650,000		*500,000*
SHARE PREMIUM ACCOUNT (Note 2)		398,285		—
CAPITAL RESERVE (Note 3)		68,128		*177,045*
REVENUE RESERVES:				
General Bad Debts Reserve	20,000		—	
Development Reserve	50,000		*20,000*	
Profit and Loss Account—Unappropriated Balance of the Group	116,223		*77,953*	
		186,223		*97,953*
AMOUNT SET ASIDE FOR FUTURE INCOME TAX		137,770		*78,358*
TOTAL CAPITAL AND RESERVES (Represented by Net Assets of the Group)		£1,440,406		*£853,356*
EMPLOYMENT OF CAPITAL				
FIXED ASSETS (Note 6)				
Freehold Land and Buildings	596,176		*483,273*	
Improvements to Leasehold Premises	13,814		*4,229*	
Plant and Machinery	84,174		*76,954*	
Furniture and Fittings	25,998		*20,701*	
Motor Vehicles	33,833		*22,365*	
		753,995		*607,522*
TRADE INVESTMENT IN A CANADIAN COMPANY:				
Shares—at cost	—		*6,547*	
Loan	15,708		*17,793*	
		15,708		*24,340*
DEFERRED DEBT		7,507		*11,279*
CURRENT ASSETS:				
Production Tools, Jigs, etc. (at Directors' valuation)	33,102		*27,861*	
Stock in Trade (at the lower of cost and net realisable value)	470,816		*395,768*	
Debtors and Pre-Payments	731,140		*468,086*	
Short-term Deposits	250,000		—	
Balances at Banks and Cash in Hand	25,121		*1,716*	
	1,510,179		*893,431*	
DEDUCT—CURRENT LIABILITIES:				
Creditors and Accrued Charges	553,046		*364,237*	
Current Taxation	101,881		*43,048*	
Provision for Preference Dividend—3 months to 31st March 1964	1,723		*1,723*	
Provision for Final Ordinary Dividend	42,875		*23,581*	
Provision for Final 'A' Ordinary Dividend	10,718		—	
Bank Overdrafts (Secured)	38,294		*145,913*	
	748,537		*578,502*	
NET CURRENT ASSETS		761,642		*314,929*
		1,538,852		*985,070*
DEDUCT—DEBENTURES (Secured):				
6½% First Debenture	96,875		*103,125*	
Accrued Debenture Interest	1,571		*1,589*	
		98,446		*104,714*
NET ASSETS REPRESENTED BY CAPITAL AND RESERVES OF THE GROUP		£1,440,406		*£853,356*

E. B. T. TANNER
D. K. BUCKLE } *Directors*

COPPERAD LIMITED

NOTES ON THE ACCOUNTS

	31st March 1964			
	7½% Redeemable Cumulative £1 Preference Shares £	Ordinary Shares of 5/- each £	'A' Non-Voting Ordinary Shares of 5/- each £	Total £
(1) SHARE CAPITAL				
(A) AUTHORISED SHARE CAPITAL:				
At 31st March 1963	200,000	500,000	—	700,000
At 31st March 1964 as reorganised and increased by Special Resolutions passed 5th March 1964	£200,000	£400,000	£400,000	£1,000,000
(B) ISSUED SHARE CAPITAL				
At 31st March 1963	150,000	350,000	—	500,000
Capitalisation of Reserve—Shares issued as fully paid, 21st September 1963	—	50,000	—	50,000
Issued for cash, 5th March 1964	—	—	100,000	100,000
At 31st March 1964	£150,000	£400,000	£100,000	£650,000

The 7½% Preference Shares may be redeemed at par in whole or in part at any time after 31st December 1977, and are due to be redeemed 31st December 1980.

(2) SHARE PREMIUM ACCOUNT

Premium on issue 5th March, 1964 of 400,000 'A' Non-Voting Shares of 5/- each at £1.5.6 per share	410,000
Less: Expenses of issue of shares 5th March 1964 and of increase of Authorised Capital	11,715
At 31st March 1964	£398,285

	The Company £		The Group £
(3) CAPITAL RESERVE			
At 31st March 1963	183,652		177,045
Add: Realised profit on sale of Trade nvestment in shares of a Canadian Company	1,980		1,980
	185,632		179,025
Less: Amount applied in payment of Ordinary Shares issued as fully paid, 21st September 1963	50,000	50,000	
Goodwill arising on the acquisition of a Subsidiary	—	60,897	
			110,897
At 31st March 1964	£135,632		£68,128

(4) CAPITAL COMMITMENTS:

At 31st March 1964 Copperad Limited had incurred Capital Commitments estimated at £361,493, for which no provision is made in the Accounts.

(5) CURRENCY BALANCES

Current Assets in Canadian Dollars have been converted at the rate of exchange ruling at 31st March 1964

	The Company		The Group	
(6) FIXED ASSETS:	31st March 1964 £	31st March 1963 £	31st March 1964 £	31st March 1963 £
Freehold Land and Buildings—Valuation 22nd June 1962 and subsequent cost	596,176	483,273	596,176	483,273
Improvements to Leasehold Premises—at cost	5,286	5,286	16,128	5,286
Plant and Machinery—at cost	238,681	217,479	273,275	235,316
Furniture and Fittings—at cost	67,699	57,985	76,521	61,881
Motor Vehicles—at cost	63,749	48,986	69,534	51,874
	£971,591	£813,009	£1,031,634	£837,630
Less: Provisions for Depreciation				
Improvements to Leasehold Premises	2,114	1,057	2,314	1,057
Plant and Machinery	176,231	149,392	189,101	158,362
Furniture and Fittings	47,615	39,148	50,523	41,180
Motor Vehicles	34,183	27,431	35,701	29,509
	£260,143	£217,028	£277,639	£230,108
Balance—Book Value of above Fixed Assets	£711,448	£595,981	£753,995	£607,522

CITY NOTES

It is now clearly being left to 'special situations' to provide any interest in stock-markets. The level of general business has fallen away and share prices are moving within narrow compass.

There are, however, enough take-over and other developments to provide at least a veneer of interest and activity. There is also, surprisingly, an eleventh hour revival of new issue activity at a time when it looked as though the new issue market had shut up shop until the election.

The narrowness of the market in general reflects the assumption that the General Election result will also be narrow in terms of the winning majority. The City is hopefully joining the forecasts of a Conservative majority of thirty or so seats but the inactivity of the stock-market indicates that there is possibly a greater degree of hope than calculation in the forecast.

Stimulants in the shape of a continued swing to the Government in the political polls and of materially better trade figures both for August and September are needed for calculation to figure more prominently in the stock-market's assessment of the General Election result.

Meanwhile the markets, in Index terms, are keeping in touch with the peak and show no sign of falling back to any marked degree.

* * * *

The take-over battle between The British Shoe Corporation and Stylo Shoes for the W. Barratt company is something more than the usual war of circulars attending a bid battle of this kind. The crucial shareholder in W. Barratt is the trustees of the company's pension fund. Without the capture of this shareholding a take-over bidder cannot achieve success.

The position is leading to suggestions that there should be a definite limit to the extent that a pension fund can hold shares in its own company. The battle will have served some purpose if this point is brought to the notice of responsible quarters.

* * * *

A clash of personalities within the Council of the National Association of Investment Clubs has brought a demand from the Association's former Secretary for the calling of an extraordinary meeting to dissolve the Council and a reply from the Honorary President, Mr David Moate, both to that demand and to recent criticism of his personal position in the Association. Mr Moate states that he has never made money out of the Association and is, in fact, 'out of pocket'. It would seem that some people within the Association would like it to become something more than an association of clubs even to the extent of it becoming an effective force with a voice in investment affairs generally. That was not the original purpose of the exercise, when Mr Moate played a leading part in the formation of the Association some six years ago.

* * * *

The Stock Exchange Council, which some companies may have thought to be a shade harsh in its recent directive on company reporting requirements, has shown that it can be stern when the need arises to put the Stock Exchange's own affairs in order. The expulsion of one member and the suspension of five others following investigations into certain dealings showed the Council does not shirk taking a strong line.

The expulsion and suspensions means the virtual closing down of the stockbroking firm of B. Hansford & Co, until January 1st, 1965. No dealings on the firm's behalf are allowed.

RATES AND PRICES

Closing prices, Wednesday, September 16th, 1964

Tax Reserve Certificates: interest rate 19.3.64 2¾%

Bank Rate

July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%

Treasury Bills

July 10	£4	9s	7·75d%	Aug. 14	£4	13s	0·21d%
July 17	£4	11s	7·01d%	Aug. 21	£4	13s	0·98d%
July 24	£4	12s	11·95d%	Aug. 28	£4	13s	1·47d%
July 31	£4	13s	1·03d%	Sept. 4	£4	13s	1·26d%
Aug. 7	£4	13s	0·79d%	Sept. 11	£4	13s	0·57d%

Money Rates

Day to day	3⅜–4½%	*Bank Bills*	
7 days	3¼–4⅜%	2 months	4 13/16–4⅞%
Fine Trade Bills		3 months	4 13/16–4⅞%
3 months	5¾–6¼%	4 months	4 13/16–4⅞%
4 months	5¾–6¼%	6 months	4⅞–4 15/16%
6 months	6–7%		

Foreign Exchanges

New York	2·78 5/16	Frankfurt	11·06⅛
Montreal	2·99 5/16	Milan	1739
Amsterdam	10·04⅛	Oslo	19·94⅜
Brussels	138·25½	Paris	13·64
Copenhagen	19·28⅛	Zürich	12·02 5/16

Gilt-edged

Consols 4%	64 5/16	Funding 3% 59–69	90 1/16
Consols 2½%	41¼	Savings 3% 60–70	86⅝
Conversion 6% 1972	102¾	Savings 3% 65–75	77 15/16
Conversion 5¼% 1974	98 1/16	Savings 2½% 64–67	92 25/32
Conversion 5% 1971	97¼	Treas' 5½% 2008–12	89 15/16
Conversion 3½% 1969	91 31/32	Treasury 5% 86–89	86 3/16
Conversion 3½%	56⅜	Treasury 3½% 77–80	76¾
Funding 5½% 82–84	95 11/16	Treasury 3½% 79–81	75½
Funding 4% 60–90	93 15/16	Treasury 2½%	40¾
Funding 3½% 99–04	64 3/16	Victory 4%	98¼
Funding 3% 66–68	90 15/16	War Loan 3½%	57⅜

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Credit Insurance

SIR, – Your Insurance Correspondent (September 5th issue) has provided us with an interesting outline bringing out the virtues of an insurance against failures on customers' accounts. His article would have been more valuable as a guide if he had listed such disadvantages as are encountered in practice. This is not to suggest that they outweigh the benefits of having a policy, but they do exist.

There is, however, one point so often made by way of introduction, and repeated here, which really should be nailed down and refuted. The argument runs that we insure our stocks against fire and theft – Why do we not insure out debtors?

Sir, they are two different animals. If we insure our sales ledgers (the records themselves) against fire and theft and the consequent loss of cash collections (or of customers), we have a parallel with our stock insurances. But if we cover our debtors against the risk of failures amongst them, the insurance is concerned in matters of personal judgement, conditions of trade, the state of the market, contracts and the like.

The parallel here would be with an insurance policy underwriting a fall in the market value of our stocks. May we please be offered one?

Yours faithfully,

Richmond, Surrey. P. SEEMAN, F.C.A.

Ask Not

SIR, – 'Who is a management consultant?' At the risk of being called pedantic, I would say that no man may claim to be called a management consultant, and would take this further and say that no firm of chartered accountants may make the claim either.

The field of management is so wide that surely only an organization with a staff already experienced in a variety of specialist techniques and given further training in the wider issues of management can claim the title of management consultant.

Mr L. W. Shaw in his interesting paper on 'The role of the accountant in management consultancy' which appeared in two parts in your issues of September 5th and 12th, clearly defines the limit of an accountant's contribution in paragraph 37.

Is not the part smaller than the whole? I wonder how many employees of the big five banks call themselves bankers?

Yours faithfully,

Witney, Oxon. J. W. L. NICHOLS, F.C.A.

Roman Multiplication

SIR, – With reference to the article by Mr J. R. Richards in your issue of August 29th, I would venture to suggest that the way 19 times 44 would really have been worked out in Roman numerals is as follows:

			Minus	*Plus*
	XLIV	=	XI	LV
	X	times =	CX	DL
	X	,, =	CX	DL
	XX	,, =	CCXX	MC
Less	I	,, =	XI	LV
	XIX		CCIX	MXXXXV
				CCIX
				DCCCXXXVI

The way the subtraction is done, taking MC *less* LV as an example is: fifty-five *plus* V makes sixty; *plus* X makes seventy and so on up to a hundred. The words would be said but only the numerals written down.

For anyone who has not memorized any tables and can count only with five fingers on each hand, this seems to be quite the simplest way to do multiplication.

Yours faithfully,

W. F. WEAVER.

London SW5.

Wastage: Drapery Store

SIR, – I should be pleased to hear from readers having experience of the trade, the percentage of wastage of cut-length materials in a drapery store. Our clients purchase materials in forty-yard lengths and it is anticipated that one yard is lost in cutting and a further yard is lost by way of remnants. This is a known shortage of 5 per cent but the shortage appears to be running as high as 9 per cent.

This is a serious problem as the losses involved amount to over £20,000 per annum.

It would be interesting to hear if any of your readers can make any suggestions to reduce this loss.

Yours faithfully,

BECK.

ELECTRONICS IN THE OFFICE

A Computer Concordance

TIME has already proved that – as a result of inexperience, short-sightedness, ill-judged economy, over-reliance on salesmen or some other factor – a good many British organizations have chosen the wrong computer. That is, although the systems they have selected may fulfil the makers' claims from the performance and reliability standpoints, they have proved inadequate to fulfil the users' requirements satisfactorily.

There are only two ways in which to rectify the error: to make the best of a bad job by adopting what will almost certainly be an unsatisfactory compromise; or to start again from scratch, which may involve complete re-thinking and will undoubtedly demand complete re-programming. In either case, a sizeable capital investment is partially or wholly wasted.

Systems Compared

The newly published *Manual of Computer Systems*[1] should be invaluable to those who, anxious to avoid making a mistake, are concerned with making informed assessments of computer systems available in Britain. Though no book, however comprehensive, can obviate the need for careful human judgement, the *Manual* does provide in assimilable form the extensive technical detail without which no rational decision can be arrived at.

What, in fact, this work does is to provide, for the first time, a kind of 'computer concordance'. While it does not attempt to judge the merits of one system against another (which would be meaningless, anyhow, outside the context of job specifications), it does set forth – in standard format and vocabulary – the characteristics of a large number of computers. Its object: to obviate for the user the tiresome, time-consuming and expensive work which has always been needed to make any thorough and valid comparison between computer systems.

Even if the *Manual* were nothing more than a re-arrangement and logical presentation of the information in makers' brochures, it would be of considerable value. In fact, it contains a substantial amount of information not previously available. It has been prepared by a team of unbiased experts, though with the full and willing co-operation of computer manufacturers.

The *Manual* is to comprise four large loose-leaf volumes, of which three have been published; the fourth is in course of compilation. Volumes I to III each cover thirteen or more computer systems, each of which is analysed separately under a number of standard headings. A standardized vocabulary, based chiefly on the British Standards Institution definitions, is used throughout.

How thoroughly the work has been done can be gauged by the headings which, preceded by a computer diagram in each case, are split into seven subsections as follows:

(1) *General Description.* Components of system – Restrictions on specification – Typical system and prices – Other characteristics.

(2) *Internal Processing and Control.* Organization of units – Notation – Internal storage – Instruction system – Operating features.

(3) *Input, Output and External Storage.* Punched cards – Punched paper tape – Print – Magnetic tape – Magnetic cards – Magnetic disks – Keyboard and interrogation facilities – Other media.

(4) *Concurrent Working.* Operation of peripheral units – Execution of programs.

(5) *Off-line Working.*

(6) *Costs.* Typical systems – Supporting services.

(7) *Installation characteristics.*

Updating Service

No work of reference, however well compiled, is of much use unless it is constantly updated. This is particularly true where computers are concerned, since new features and modifications are constantly being introduced and obsolete information may be positively misleading. With this *Manual,* therefore, a quarterly updating service is available.

As previously indicated the volumes are in loose-leaf form and the insertion of additions or amendments is accordingly a simple matter. No writing or pasting-in will be needed, as amendments will take the form of completely reprinted sheets to replace those containing obsolete detail.

The *Manual of Computer Systems* may not at first glance be cheap – indeed it cannot be, for the hundreds of man-hours spent on research and compilation have seen to that. Nevertheless, its price is but a fraction of the cost an organization would normally have to pay an expert for digging out the details so clearly and concisely set forth in its pages. No technical library can be considered complete without it; and for consultants, systems advisers, or anyone concered with computers and their installation, the *Manual* is an incomparable source of information.

[1] *Manual of Computer Systems.* Edited by Brian A. Maynard, M.A., F.C.A., A.C.W.A., Gee & Co (Publishers) Ltd, London. Volumes I–III £36; Vol. IV binder, new systems and first year's updating service, £12 12*s* post free. A descriptive brochure is available on application.

Tax Congress in Hamburg

Eighteenth Annual Meeting of the International Fiscal Association

THE eighteenth annual congress of the International Fiscal Association was held in Hamburg last week from September 7th to 11th. It was attended by 870 delegates and guests, who came from every country in Western Europe. There were also representatives from North and South America, India, Pakistan, Japan, Saudi Arabia, the Lebanon, and from Australia.

The working sessions of the Congress, which were translated simultaneously in the three Congress languages of English, French and German, were held in the Auditorium Maximum of the University of Hamburg. The Congress was officially opened by Mr Friedrich Silcher, chairman of the German branch of the International Fiscal Association and President of the Congress. At the opening session a talk was delivered by Professor Dr Fritz Werner, President of the Federal Administrative Court, Berlin, on the subject: 'Contemporary trends in the development of the law and the Courts'.

A selection from the 'History of taxation' collection of the Federal Finance Academy at Siegburg was shown at the Congress. This collection began in 1958 when a taxpayer with more humour than one had the right to expect, put before the Inspector of Taxes at Freudenstadt a yellowed tax declaration dating from 1764, and said: 'It was easier for them in those days. They only had to answer four questions, not a hundred, as we have to. And they only had to pay a tenth of their incomes, while today we have to a pay a third.' The Siegburg collection, which started from such humble beginnings, now comprises over five thousand exhibits, including reproductions of some English cartoons on the subject of taxation, which can also be seen by callers waiting upon the Board of Inland Revenue at Somerset House.

Two Congress Subjects

This year the two Congress themes of study were:

(1) International problems of depreciation and valuation, including revaluation for purposes of profits taxation.

(2) The delimitation between the country of residence and other countries of the power of tax corporations and/or their shareholders.

The general reporter for the first subject was Dr Helmut Fabricius, of Weinheim, Germany, and the national British report on this subject was presented by Mr Norman Onley-Wilde. For the second subject the general reporter was Dr Leif Muten, of the University of Uppsala, Sweden, and the British report was presented by Mr C. J. Crowe.

Dr Fabricius laid some emphasis on the fact that while taxpayers should be granted basic rights for complete depreciation of capital expenditure on tangible and intangible assets, it was necessary also to emphasize the need for tax-depreciation policies to be internationally harmonized so that they could help to preserve fiscal policies as competitively neutral. During the debates on this subject it was made clear that the European Common Market working parties at Brussels were also studying the need to harmonize the development of tax-depreciation policies in the Common Market. The resolutions of the Congress on the first subject said that taxpayers should be given maximum freedom of choice on depreciation methods, provided they accorded with reasonable commercial and industrial practice; account should be taken of the need to preserve the value of assets in times of significant reduction of purchasing power and provide for higher replacement costs; when abnormal depreciation allowances (such as investment allowances) are granted, they should be clearly distinguished from normal depreciation rules so that their incidence may be readily apparent; and the Congress expressed the view that in the interests of economic development, such special measures should not disturb fair play in international competition.

Fiscal Domicile

The debates on the second subject reflected in great measure the controversies which had been aroused during the passage of the U.S. Revenue Act of 1962, by which, for both fiscal and balance of payments reasons, the law treats United States shareholders in certain types of controlled companies fiscally domiciled outside the U.S.A., as being assessable to United States tax on the undistributed income of such companies.

It was clear that the subject was an extremely fascinating one. Among the problems which were aired were the following: to what extent should fiscal domicile affect taxability; how was fiscal domicile decided in marginal cases; to what extent should a corporation be treated as an independent taxable entity, and how far should the 'corporate veil' be capable of being pierced; was it proper that national tax administrations should be allowed to cross the national or the corporate border, and to what extent was this compatible with international tax comity; if such attacks 'across the border' were permissible, how was this to be reconciled with the principles laid down in the thick network of international tax treaties.

The Congress was made aware of the deep conflicts on this subject by the presentation of two separate United States national reports, one almost wholly critical of the U.S. Revenue Act of 1962, the other almost equally approving. But the presentation of two such diverse reports did not have the same effect on the Congress as did the problems of dealing with competitive Mississippi delegations at the recent convention of the United States Democratic Party. Fiscal debates do not, even on highly contentious topics such as this, involve the ex-communication of delegates or the throwing of inkwells.

In its resolution on the subject of taxation of companies and their shareholders, the Congress affirmed that taxation is primarily reserved to the country where a company has its centre of management, and stated that the right to tax dividends is reserved primarily to the country of residence of the shareholder, subject to limited rates of taxation by the country of residence of the company paying the dividend: dividends from substantial holdings of shares should be exempted from tax in the country of residence of the parent company, and should be subjected to low rates of tax or exempted from tax in the country of source of the dividends. On the question of attempts to tax shareholders on undistributed profits of companies in a foreign jurisdiction, the Congress agreed that such attempts should take place only in special circumstances, after exhausting all existing legal approaches. In any case, there should be no unilateral action in defiance of existing tax treaties; shareholders not resident in the taxing jurisdiction should not be taxed; and shareholders should not be embarrassed so that they come into conflict with the jurisdiction of the country of residence of a company.

Social Events

During the week of the Congress, delegates were entertained at the Hamburgischer Staatsoper with a performance of Die Zauberflöte ('The Magic Flute') and were taken on an excursion to Heligoland. A reception was given to delegates by the Senate of Hamburg, and the week was concluded with a dinner in the banqueting halls of the Atlantic Hotel, Hamburg. The final item in the social arrangements was a one-day excursion to Berlin which included a brief visit to the Eastern Sector.

The British representation at the Congress, led by Mr Alun G. Davies, consisted of twenty-two delegates, and on behalf of the British Branch, Mr Davies extended an official invitation to the Congress for 1965 to London, where the Congress sessions will take place at Church House, Westminster, between September 13th and 17th. At the London Congress the subjects for study will be 'Form and substance in tax matters' and 'Advance rulings by tax administrations'. The general reporters for these subjects will be Professor Wheatcroft and Professor Andersson (of the University of Helsinki, Finland) respectively.

Other Meetings

It was reported at the closing session of the Hamburg Congress that the 1966 Congress would be held at Lisbon, and that the 1967 Congress would be held in Stockholm. It was also reported that there had been a rapid increase in membership of the Association during the past year. At present IFA has well over two thousand five hundred members in forty-eight countries throughout the world.

Further information regarding the work of the International Fiscal Association, and the activities of the British Branch, can be obtained on application to the Secretary, Mr G. J. Bellenie, at 6 St James's Square, London SW1. Particulars of the facilities available from the Bureau of Fiscal Documentation may also be obtained from the same source.

Scottish Chartered Accountants' Summer School

THE Twelfth Summer School of The Institute of Chartered Accountants of Scotland held at the University of St Andrews from Friday, September 11th to last Tuesday, September 15th, was attended by 112 members. Also present as guests were Mr Poul Seier-Petersen, Foreningen af Statsautoriserede Revisorer (Denmark), and Mr Anthony Frankham, A.R.A.N.Z., Travelling Scholar, Incorporated Institute of Accountants of New Zealand.

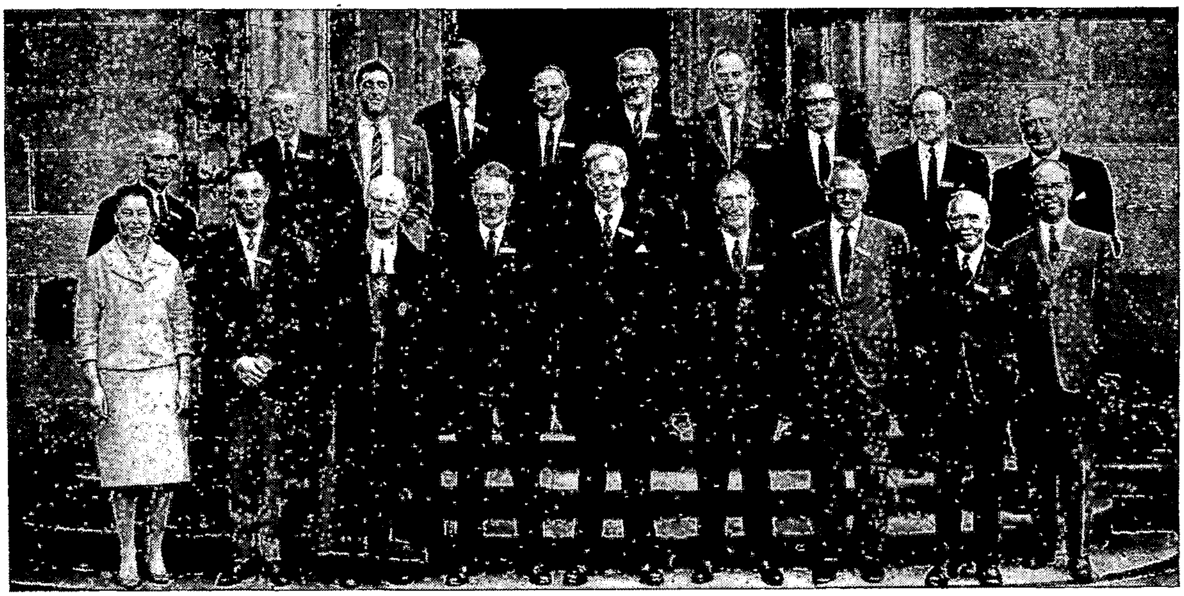
At dinner on Friday, members were welcomed by Professor A. D. Woozley, M.A., Dean of the Faculty of Arts and Professor of Moral Philosophy in the University of St Andrews, and by the President of the Institute, Mr J. W. Dallachy, M.A., C.A. Prior to dinner, members had the opportunity of listening to a most interesting address entitled 'St Andrews – some ingredients of its unique character and beauty', given by Mr Hew Lorimer, R.S.A.

After dinner came the first business session, which, as an innovation, took the form of a general discussion on beliefs and opinions pertaining to accountants and their profession; the leaders of the discussion were Mr J. R. Leitch, C.A., of Associated Commercial Vehicles Ltd, London, and Mr J. T. H. Macnair, M.C., B.A., C.A., a partner in Thomson McLintock & Co, Chartered Accountants, London. The main topic discussed was the suitability of the present form of training for members later to go into industry and commerce.

Last Saturday, Mr John Paterson, M.A., LL.B., C.A., a director of North Central Finance Ltd, introduced his paper 'Hire-purchase finance'. In it he explained the origin and growth of the hire-purchase industry, referring to the gradual introduction of controlling legislation and its use in recent years as an economic regulator. He dealt with the relationship between advertised and actual interest rates and with what he considered the major accounting problem of the industry – accounting at a year-end for outstanding hire-purchase debt.

In the afternoon members had the choice of taking part in a golf competition or a car treasure hunt. The former, played over the testing New Course, was won by Mr J. G. MacEwan. The latter, which was organized by Mr D. A. Huckle, was won by the car driven by Mr G. G. Ruffle and navigated by Messrs A. I. G. Farquharson and W. R. Barnetson.

On Sunday morning members worshipped in the Collegiate Church of St Salvator, where a special service was conducted by Professor E. P. Dickie,



Some personalities at the Summer School.

Front row (*left to right*): Miss Johne Souden, C.A.*; Mr Poul Seier-Petersen, *Foreningen af Statsautoriserede Revisorer (Denmark)*; Professor E. P. Dickie, M.C., B.A., M.A., B.D., D.D., *Chaplain to Her Majesty the Queen in Scotland, and Professor of Divinity, The University of St Andrews*; Mr J. W. Dallachy, M.A., C.A., *President of the Institute*; Mr John A. Stewart, C.A., *Convenor of the Summer School Committee*; Mr John Paterson, M.A., LL.B., C.A., *Contributor*; Mr J. T. H. Macnair, M.C., B.A., C.A., *Contributor*; Professor Robert Browning, C.B.E., M.A., LL.B., C.A., *Vice-President of the Institute*; Mr Thomas D. Lynch, C.A., *Contributor.*

Back Row (*left to right*): Mr Alexander McKellar, C.A., *a Past President of the Institute*; Mr Thomas Lister, M.A., C.A., *a Past President of the Institute*; Mr Robert M. Scully, C.A.*, Mr T. N. Ritchie, T.D., C.A.*, Mr J. R. Andrews, C.A.*, Mr W. K. M. Slimmings, C.B.E., C.A., *Member of Council*; Mr A. I. G. Farquharson, C.A., A.C.W.A.*; Mr W. S. Risk, B.COM., C.A., F.C.W.A., *Member of Council*; Mr T. P. J. Nicolson, C.A.*; Mr E. H. V. McDougall, *Secretary of the Institute.*

* Member of Summer School Committee.

M.C., B.A., M.A., B.D., D.D., Chaplain to Her Majesty the Queen in Scotland and Professor of Divinity in St Mary's College. The theme of his sermon was 'Devotion'. The lessons were read by the President and by the Vice-President, Professor Robert Browning, C.B.E., M.A., LL.B., C.A. The organist was Mr Cedric Thorpe Davie, O.B.E., F.R.A.M., A.R.C.M., Master of Music, The University of St Andrews.

After the service, Mr Thomas D. Lynch, C.A., a partner in Brown, Fleming and Murray, Chartered Accountants, London, introduced his paper, 'Some aspects of tax planning', and explained that tax planning is a straightforward financial exercise and that the main causes of tax avoidance are high rates of taxation and out-dated legislation. His paper reviewed current principles and practices. It encouraged the practitioner to adopt a more positive approach to tax planning.

Company Controls

On Monday, a paper entitled 'Spotting a company's weak points' was given by Professor R. W. Revans, B.SC.(LOND.), PH.D.(CANTAB.), M.I.MIN.E., Professor of Industrial Administration, Manchester College of Science and Technology. In his paper, Professor Revans expressed the view that a company's strength or weakness extended over the whole range of its operation and he examined the controls by which a company can seek to ensure that weaknesses are disclosed. Consideration of the qualities of the manager himself as being a possible source of weakness, and control of capital resources, purchases and products were matters which were dealt with in detail.

The official proceedings terminated on Monday evening with a dinner at which the toast of 'The University of St Andrews' was proposed by the Convenor of the Summer School Committee, Mr John A. Stewart, C.A., and replied to by Professor J. N. Wright, M.A., Master, St Salvator's College and Professor of Logic and Metaphysics in the University of St Andrews. The toast of 'The Institute of Chartered Accountants of Scotland' was proposed by Mr Poul Seier-Petersen and the reply was made by the President. The dinner was followed by an informal gathering.

Fruitful Discussion Meetings

The Summer School provides members with the opportunity to keep up to date with professional matters and to meet their fellow members in other accounting positions. The discussions in small groups were popular and fruitful.

Members who converged on St Andrews – many of those travelling from the south had the experience of crossing over the Firth of Forth by the new road bridge for the first time – all agreed that the setting is ideal. Thanks were expressed to the University authorities for granting excellent facilities, to the committee – in particular its Covenor – and to the contributors of the papers, the discussion group leaders and the secretariat.

The thirteenth Summer School is to be held at St Andrews in June 1965.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS J. W. ALBERY & Co, Certified Accountants, announce that their address is now 40 Hawthorn Road, Wallington, Surrey. Telephone Franklin 1050.

MESSRS ANNAN, IMPEY, MORRISH & PARTNERS, Liverpool, announce that they have admitted into partnership Mr WILLIAM A. LOWE, F.C.A., of Messrs WM CHADWICK, NOON, ELSWORTH & KEMP, Mr L. R. TURNER, F.C.A., of Messrs J. W. DAVIDSON, COOKSON & Co, and Mr K. DUNCAN, F.C.A., of Messrs DUNCAN, WATSON & SHORT. The practices of the three latter firms continue unchanged.

MESSRS CASSON, BECKMAN, RUTLEY & Co, of 27 Queen Anne Street, London W1, announce that Mr WILLIAM SHARRON, A.C.A., who has been associated with the firm for some years has been admitted to partnership. The firm name remains unchanged.

MESSRS W. B. KEEN & Co, Chartered Accountants, of Finsbury Circus House, Blomfield Street, London EC2, announce with the deepest regret the sudden death of their senior partner, Mr P. F. CARPENTER, F.C.A., on Wednesday, September 9th, aged 63. He had been associated with the firm for the whole of his working life and had been senior partner since 1946. The practice is being carried on by the remaining partners. [An obituary notice appeared in last week's issue at page 335 – Ed.]

MESSRS PANNELL FITZPATRICK GRAHAM & CREWDSON, Chartered Accountants, announce that they have opened an office in Liberia at Lennap House, corner of Broad and Gurley Streets, P.O. Box 252, Monrovia, where they are practising in conjunction with Messrs BATO & Co, Chartered Accountants. Mr MICHAEL J. BATO, A.C.A., and Mr GEOFFREY M. N. BAKER, B.SC.(ECON.), A.C.A., are the resident partners.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Irish Companies Act, 1963

The Institute of Chartered Accountants in England and Wales has received the following letter from the Department of Industry and Commerce in Dublin:

'I am directed by the Minister for Industry and Commerce to refer to your letter of the 18th instant, and previous correspondence and to inform you that, subject to the conditions stated below, he has afforded recognition to The Institute of Chartered Accountants in England and Wales under subsection (1) (*a*) of section 162 of the Companies Act, 1963.

'The conditions attaching to the recognition are as follows:

(i) recognition may be withdrawn by the Minister at any time;

(ii) the Institute shall furnish to the Minister on request information regarding the holding of examinations, appointment of examiners, enforcement of discipline, etc.;

(iii) the Institute shall furnish to the Minister a copy of any proposed alterations to the Charter or bye-laws.'

EUROPEAN CONGRESS OF ACCOUNTANTS

Record of Proceedings

The Institute of Chartered Accountants of Scotland has published the official record of the proceedings of the European Congress of Accountants which was held in Edinburgh from September 10th–13th last year.

Comprising the full text of the twenty-four papers presented at the Congress, the publication also contains summaries of the discussions on the papers, together with the speeches delivered at the opening and closing sessions as well as details of the social functions. The record has been prepared in English, German and French; the English and German editions are already available and the French edition will be published at the end of November. Copies are obtainable from The Institute of Chartered Accountants of Scotland, 27 Queen Street, Edinburgh 2, price £3 each, post free.

GUIDE TO R.P.M.

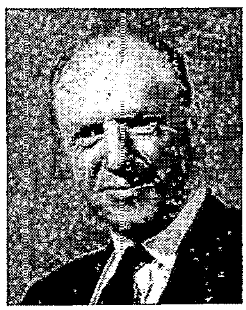
Resale Prices Act, 1964, a Guide for the Industrialist, is the title of a booklet published by the Federation of British Industries which gives a straightforward explanation of the main provisions of the new Act.

Extending to sixty-seven pages, this useful guide sets out the position before the Act and then examines in detail under eight chapter headings, price fixing, withholding supplies, patents, enforcement, registration, exemption, procedure and time-table. Appendices set out the Act itself, the Regulations, the Registrar's guide and the forms for registration. Copies of the booklet are obtainable from the offices of the Federation, 21 Tothill Street, London SW1, price 10s each.

EAST ANGLIAN SOCIETY OF CHARTERED ACCOUNTANTS

New President

Mr A. J. Barnard, B.A., F.S.A.A., F.I.M.T.A., City Treasurer of Norwich, has been elected President of the East Anglian Society of Chartered Accountants for the year 1964–65.



Born in 1913 and educated at Bungay Grammar School and at St John's College, Oxford, Mr Barnard commenced his career in local government in the treasurer's department at Lowestoft in 1934. From 1938 to 1940 he served in the treasurer's department of Peterborough and from 1940 to 1942 was chief internal audit assistant with Wellingborough Urban District Council, becoming deputy treasurer in 1942. He served as chief accountant in the borough treasurer's department at Stockton-on-Tees from 1944 to 1946, then as chief internal auditor and subsequently chief accountant at

Southend-on-Sea from 1946 to 1948. He became deputy city treasurer of Norwich in 1948, and was appointed to his present post in 1953. Mr Barnard was admitted to membership of the former Society of Incorporated Accountants in 1944 and of The Institute of Municipal Treasurers and Accountants in 1946.

A past chairman and president of the Norwich Round Table and a member and past honorary secretary of the City's National Savings Committee, Mr Barnard is also governor of the Notre-Dame and St Thomas More Schools.

Other officers of the Society elected for the ensuing year are:

Vice-President: Mr R. H. Taylor, F.C.A.

Honorary Secretary and Treasurer: Mr H. Robinson, F.C.A., Messrs Robinson & Co, 4 Elm Hill, Norwich.

MANCHESTER CHARTERED ACCOUNTANTS' STUDENTS' SOCIETY

Annual Report

Membership of The Manchester Chartered Accountants' Students' Society at March 31st, 1964, totalled 1,499 compared with 1,459 for the corresponding period last year, according to the report of the committee of the Society to be presented at the eighty-first annual general meeting next Thursday.

On education and training, the report, referring to the dissolution last October of the Joint Tuition Committee following the recommendations of the Parker Report, commends the excellent work which the Committee undertook during its fifteen years' existence. Its functions have now been assumed by a subcommittee of the senior Society known as the Education Committee, on which the Students' Society has four representatives.

The decision to transfer the Society's Saturday morning lectures to Thursday evenings resulted in a very rewarding increase in the number of students attending lectures. A total of 145 students enrolled for the Intermediate lectures compared with 120 the previous year, and there were seventy-six Final students against fifty-seven in 1963. A panel of newly-qualified members of the Society was formed during the year to lecture Intermediate students on accountancy and auditing subjects. This successful experiment is to be continued for the 1964–65 session. In place of the Saturday morning lectures, a series of four successful three-week introductory courses for newly articled clerks was held during the year in conjunction with the Manchester College of Commerce. In addition, two successful residential courses were held at Lyme Hall, near Disley, in the autumn of last year and in the spring of this. The Bolton Branch held a wide variety of lecture meetings and a visit was arranged to see the North West Electricity Board's electronic computer installation.

An innovation in this year's report is the inclusion of three short articles by student members who each received an award of one guinea. It is hoped that this section can be expanded in future years with a view to the introduction of a students' magazine.

CERTIFIED ACCOUNTANTS' DISTRICT SOCIETIES' CONFERENCE

Trinity College, Oxford, September 25th–27th

The biennial conference of representatives of district societies of certified accountants throughout the United Kingdom will take place at Trinity College, Oxford, from Friday, September 25th to Sunday, September 27th. A full programme has been arranged for members and the business sessions will deal with the affairs of the Association; specific questions asked by district society committees will be answered; the future policy of the Association will be defined, and members of the Council will be available for general discussion. The business sessions will be held in the New Library of the Oxford Union Society.

During the conference the final round of the Jubilee Golf Trophy Competition will be played at the North Oxford Golf Course on the Saturday, when twelve certified accountants (finalists from regional competitions) from all parts of the United Kingdom and Ireland will play off for the honour of holding the trophy for the next twelve months.

THE INSTITUTE'S LIBRARY

The Librarian reports that among the books and papers acquired by The Institute of Chartered Accountants in England and Wales in recent weeks by purchase and gifts are the following:

Banking Law for Trustee Savings Banks; by C. L. Lawton. 1964. (Savings Bank Institute, 20*s*.)

Le Contrôle du Bilan et du Compte de Profits et Pertes dans les entreprises Belges. (Collège National des Experts Comptables de Belgique): second edition. (Brussels.) 1964.

L'Expert Comptable: fonctions & missions. (Collège National des Experts Comptables de Belgique): second edition. (Brussels.) 1964.

A History of Accountants in Ireland; by H. W. Robinson. 1964. (Institute of Chartered Accountants of Ireland, presented.)

History of the Australian Society of Accountants and its Antecedent Bodies 1887 to 1962. (Australian Society of Accountants.) Melbourne. (1963.) (Australian Society of Accountants, presented.)

International Business: principles and problems; by H. Martyn. (New York.) 1964. (Collier-Macmillan, 40*s*.)

More Money Matters; by E. Leader. 1964. (Macdonald, 12*s* 6*d*.)

Office Economy by O. & M.; by G. E. Milward and P. H. S. Wroe. 1964. (Macmillan, 21*s*.)

A Probate Handbook; by D. R. Le B. Holloway. 1961. second (cumulative) supplement. 1964. (Solicitors Law Stationery Society, 30*s* and 5*s*.)

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

Results of Examinations held in June 1964

PART III

Adkins, R. T., Alcester
Allen, M. K., Salisbury
Anderson, B. P., Colchester
Ashforth, J., Burton-on-Trent
Ashman, F. V., Reading
Atherton, A. G., Westbury-on-Trym

Baines, J. C., Lichfield
Barlow, S. L., Accrington
Bartlett, F. W., Luton
Bates, R. H., Newport
Beaumont, E. A., Durban
Beech, G. B., Wallasey
Bell, L. A. B., Rochdale
Berks, C. E., Rayleigh
Bielski, J. A., London
Birch, J. W., Germiston
Bishop, L. J. A., Ramsgate
Biswas, K., London
Bland, D. A., Harrow
Bond, D. F., Wickford
Brenya, S. E. A., London
Bridges, N. J., Pailton
Bromiley, T., Westhoughton
Brown, W. R., London
Bryce, J. D., Johannesburg
Bunting, P. J., Birmingham
Burgess, T. J., Dartford
Burke, W. R., Cadishead

Cannon, J. R., Gwelo
Carr, P. W., London
Caspary, W., Johannesburg
Caunt, P. J., London
Chapman, R. K. H., Bushey
Clack, D. J., York
Clague, M. I., Wallasey
Clark, T. R., Ware
Clark, T. W., North Shields
Clarke, A. J., Cleethorpes
Clarke, J. D., Aldbourne
Clarke, L., Reading
Cliff, R. S., Sutton Coldfield
Cody, S. F., Skerries
Collard, R. W., J., Luton
Colley, R. S., Coventry
Connor, J., Barking
Conroy, T. H., Failsworth
Cooper, B. E., Swindon
Cotterell, C. G., Slough
Cox, A. R., Farnham
Crawley, V. D., Coventry
Crossley, H., Chelmsford
Curran, D. M., Newport

Dann, W. E., Birmingham
Davies, H. R., Pencoed
Day, J. A., Coventry
Demarco, B. D., Doncaster
Denny, D. F., Maidenhead
Determann, T., Cape Town
Dickey, J. R. A., Bath
Dixon, J. O., Cwmbran
Dixon, T. R., Hebburn
Dobbie, J. C., London
Douglas, I. F., Meopham
Doyle, P. A., Dalkey
Drake, A. M. W., Norwich
Dyson, J. R., St Albans

Earrey, M. J., Blackburn
Ebert, E. F., Kotte
Ecroyd, G., Accrington
Emmett, R. A., Halifax
Evans, B. J., Sutton Coldfield
Evison, C. R., Coventry

Faizi, M. A., London
Fender, C., Ilford
Fennell, J. C., Dublin
Feyisitan, R. O., London
Firth, M. H., Hipperholme
Fookes, D. S., Dunstable
Foster, I., Cockermouth
Furneaux, D. N., Aldershot

Gallagher, D., Burnley
Garrard, G. W., Birmingham
Goemans, C. M. T., Kenilworth
Goodfellow, R. J., Uxbridge
Goodwin, K., Middleton
Gordon, P., Billingham
Goulding, R., Scunthorpe
Greenhough, T. L., Crawley
Gregson, A., Newcastle upon Tyne

Halford, D. J., Solihull
Halford, E. F., Sevenoaks
Harrington, A. R., Bicester
Harvey, W. P., Bloxwich
Hawley, R., Stafford
Hazell, M. E., Bradford-on-Avon
Heard, A. J., Otford
Heaton, E. H., Wolverhampton
Henderson, P. J., Port Elizabeth
Henderson, R. A., Ilkley
Henson, B. R., New Malden
Hickie, R., Wolverhampton
Hill, A. M. H., London
Hoad, P. G. M., Dorking
Holmes, R., Sunderland
Hore, P. C., Brentwood
Howard, E. B., Warrington
Howe, G. F., Brighouse
Hubbard, E., Billingham
Hunns, G. A., Birmingham

Ivory, J. F., Orpington

Jameson, K., Letchworth
Jeffery, M. C., Springs
Jepson, E., Dunstable
Johnson, S., London
Johnston, W. G., Glasgow
Jones, A., Gillingham
Jones, H., Pontypool
Jones, K. A., Watford
Kamath, S. N., London
Keegan, E. J., Dublin
Kelly, J. F., Cork
Kinch, F. W., Hemel Hempstead
Knight, A. H., East Molesey
Krishnan, P., London
Kumar, R., London

Lacey, P. J., Kilmallock
Lang, R. W. A., St Helens
Langridge, J. J., Croydon
Lawrenson, H. D., Port Elizabeth
Leeming, D. Nelson
Lewis, R. J., Gloucester
Lithgow, G. A., Kitwe
Livingstone, R. M., Bristol
Lock, C. J., Pontyclun
Loh Poh Kiong, Kuala Lumpur
Lyall, R. G., Bristol

McFadzean, J. S., Gerrards Cross
McGlinchey, M. C., Derby
McLeish, A. P., Worthing
McLeod, R. D., Dundee
McMahon, S. E., Birmingham
McNulty, R. W. R., Glasgow
Mabbutt, P. J., Ewell
Mahendra, R. S., London
Mallinson, G. D., Bradford
Marsh, M., Dudley
Martin, S. P. Glasgow
Mason, B. H., East Molesey
Mason, G. W., Bedhampton
Matthysen, H. J., Pretoria
Maybury, J. F., Aldridge
Megat, A. R. B. M. A., Selangor
Middlewood, J. R., Sheffield
Millard, R. S., Pinelands
Miller, B. L., Bexleyheath
Milton, J. D., London
Minta, V. K., London
Mitchell, D., Prestwick
Mitchell, T. E., Bristol
Morrell, W. C. C. Tiverton
Moverley, P., Bradford
Moyse, G. S., Colchester
Mubiru, N. S. K., Birmingham
Murphy, M. J., Welling
Murphy, R., Stockport

Najmi, S. M. I., London
Napper, N. J. R., Lusaka
Nash, B., Johannesburg
Nice, P. H., Hitchin
Nicholson, G., Bishop Auckland

Oakley, D. A., Rainham
Oates, M. L., Nottingham
Obee, E. W., Gravesend
O'Connell, E. D., Cork
O'Donnell, J. C., Maidenhead
Oladehin, S. O., London
Orford, D. S., Letchworth

Osborne, A. G., Stevenage
O'Sullivan, P. E., Banbury

Parr, J. W., London
Parsons, D., Ewell
Pattison, J. W., Crawley
Peake, R., Cockermouth
Pearce, J. D. A., Bourne End
Pearce, P. B., Aldbrough
Pedley, B. R., Cambridge
Pemberton, T. M., Little Sutton
Perrett, K. G. W., Swindon
Phillpott, B. L., Broadstairs
Pitcock, H., Borenham Wood
Poddar, A. K., London
Potkin, R. R., Sutton
Price, W., Gloucester
Pryke, P. E., Burwell
Pye, A. W., Bolton

Ragdale, C. G., Wolverhampton
Ramchandani, G., London
Rankin, J. H., Bury St Edmunds
Rawsthorne, R. T., Westerham
Ray, C., Calcutta
Ridley, W. E., Manchester
Roberts, R. G., Hyde
Robertson, J. A., Isleworth
Robson, A. P., Berkhamsted
Robson, P. J., London
Rothery, K., Huddersfield
Rowley, K., Northampton

Salisbury, J. S., Neath
Santhiapillai, A. V., Colombo
Savage, A., London
Scarborough, T. W., W., Cape Town
Scherer, P. N., Sasolburg
Scholes, N., Bingley
Sealey, J. N., Totton
Seccull, B. R., Oxford
Shah, K. K., Karachi
Shah, N. C., Kampala
Shaw, L. B., Belfast
Sherliker, P. J., Cheadle
Silgardo, D. B., Birmingham
Slater, G., Sheffield
Smart, I. C., London
Smith, A. J., Coventry
Smith, J. J., London
Smith, K., Normanton
Soulsby, E. E., Otley
Speed, R., London
Spencer, R. E., Preston
Stephens, P. T., London
Stevenson, L. A., Bristol
Stewart, A. C., London
Strange, J., Belfast
Strange, P. A., Portsmouth
Stringer, D. R., Burgess Hill
Stubbings, A. C., Byfleet
Stubbs, A. H., Wolstanton
Suitor, R., Workington
Suter, L. A., Surbiton
Sutton, P. W., Boston
Sykes, A. M., Tunbridge Wells
Sykes, J. A., Huddersfield

Taylor, A., Bradford
Taylor, E. J., Stevenage
Teanby, G. R., Sheffield
Thomas, B. K., Port Elizabeth
Threlfall, I. P., Dunstable
Thurston, P. W., Ipswich
Tooch, S. J., Germiston
Turnbull, R. E., Nuneaton
Turner, J. A., Greenford
Turner, R. E., High Wycombe

Vosper, A. L., Hemel Hempstead

Walker, E. P., Gillingham
Walsh, F., Manchester
Ward, T., High Wycombe
Watson, R. Y., Motherwell
Weinberg, N. J., Johannesburg
Welbourne, E. G., Leeds
Wescott, J. A., Stevenage
Westhead, J. A., Bolton
Wheeler, R., Aylesbury
White, G., Belfast
Wight, R. C. A., Bury
Wild, D., Ashton-under-Lyne
Wilkins, R., Bradford
Williams, A. G., Flint
Williams, D., Aldridge
Winch, A. C., London
Wood, D., London
Wright, M. J., Rugby

Yeadon, J. D. H., Gainsborough

Zainul Abidin, B. Y., Bristol

PART IV

Adams, N. C., Johannesburg
Akinsemolu, R. A., Ibadan
Allen, R., Grimsby
Amoako, D. A., London
Anane, E., London
Andrews, R. E., Birmingham
Appleby, M. W., Newburgh

Baikie, J. A., Durban
Barker, H., Wednesbury
Batey, K., Ndola
Bennett, D. R. I., B.F.P.O. 41
Boote, M. G. E., London
Bowler, D. F., Walsall
Brennan, B. D., Dublin
Broadbent, J. B., Huddersfield
Brown, P. C., London
Busschau, L. J., Benoni

Chatterjee, H., Calcutta
Clarke, W. A., Aldershot
Cooper, A. D., Bombay
Cousland, R. C., Currie
Croxton, G. R., Accra

Datta, Y., Calcutta
De Alwis, G., Colombo
Delany, V. J., Hornchurch
Dhanapala, H., Nugegoda
Dogra, K. R., London
Dow, A. G., Edinburgh

Fahmy, K. G., Cairo
Fletcher, N., Bury
Forbes, J. E., Elderslie
Fowler, R. M., Bristol

Galloway, D., Chester
Goulden, H., Addlestone
Graham, D., Manchester

Hall, D., Ossett
Harcourt, M. S., Birmingham
Harrison, A., Birmingham
Hogan, T. M. J., Dublin
Holloway, K., Birmingham
Hunter, C. P., Manchester

Illingworth, D., Romiley

Jones, C. J., Edgware
Jones, D. E., Godalming
Jones, K., Rainham

Kallik, J. F., Johannesburg
Kanowitz, S., Pretoria
Kilpatrick, D. W., Pailsey
Kingsford, B. A., London
Kirby, A. R. C., West Malling
Kothari, K. R., London
Kothari, M. B., London

Laidler, J., Newcastle upon Tyne
Lawrence, V., Birmingham
Lee, K. A., B.F.P.O. 40
Lester, N., Edgware
Lien, H., Glasgow
Linney, W. M., Lichfield
Little, E. A., Sunderland
Lloyd, T. A. E., Llanelly

McFarlane, T. G., Bo'ness
Maddock, R. C., Warrington
Malhotra, D., Bombay
Mallen, M. W., Portishead
Mason, D. P. E., Haywards Heath
May, D. A., Birmingham
Mehta, J. H., Liverpool
Monani, R., Madras
Murdock, J., Birmingham

Narteh, G. T., London
Nicholas, S. P., Twickenham

Odenusi, A. B., Lagos
Overson, B., Coventry

Parson, G. C., Gerrards Cross
Petchell, K., Guildford
Prasadrao, G. U., Bombay
Preston, P. J., Gravesend
Pyne, F. G. Aldershot

Rabbani, K. G., Karachi
Roberts, D. E., London
Robey, D. L., Worthy Down
Rosenbaum, A., London
Rowlands, K. S., Risca

Sankaran, K., Faridabad
Shaffa, S., Teheran
Shaw, D. L., Olifantsfontein
Singh, A., Calcutta
†Smelt, I., Macclesfield
Sperling, H. R., Aylesford
Strain, T. R., Glasgow
Subhaan, S. A., London
Swarbrick, R., Blandford Forum
Sykes, G., Folkestone

Tabner, K. T., Wolverhampton
Tharmaratnam, A., London

Vithal, G. V. S. K., Bombay.
Vos, H. J. W. A., Stellenbosch

Walsh, W., Richmond
Warner, R. A., Harwich
Webster, C. M., Salsibury
Wiggins, A. J., Arlesey
Wigmore, A. C. J., Singapore
Young, T. R., Guildford

† *Leverhulme Prize for Advanced Cost Accountancy*

PART V

First Place (S. Laurence Gill Prize): Moir, D. M., Glasgow

Abraham, K. J., Rochford
Adeniran, S. A., Birmingham

Bashirullah, M., Karachi
Bester, F. J. J., Germiston
Biswas, C., Calcutta
Bragg, J. P., London
Bullock, J., London

Cane, C. R., East Tilbury
Claret, J., Tunis
Clark, L. R., London
Clemons, G. R. H., Pontefract

David, B. E., Edgware
†de Beer, D. L., Johannesburg
Dewar, J. B., Johannesburg
Dunnachie, W. R., Nairobi

Ellis, A. J., London
Enedah, F. C., Birmingham

Foster, B., Bramhall
Furtado, C. A., Bombay

Gammage, A. M., North Weald
Garrett, A. C., Bath
Ghosh, A. K., London
Govindarajan, R. V., Dapodi
Green, J. R., Walsall

Hamerton, A. S., Southampton
Harbourne, B. F., Winchester
Heller, C. J., London
Hewitt, P. A., York
Holt, P. J., Hayes End
Hopwood, P. R., York
Hurd, C. N., Johannesburg

Jack, D. B., Stafford
Jain, S. K., Delhi

Kandarajah, K. V., London
Karimi, M. H., Abadan
Kelkar, M. D., Bhusaval
Krinker, R., Buenos Aires

Lees, B. H., Rochdale
Livingstone, R. M., Ilford

McDonald, N. O., London
Mahawatte, P. S., London
Mason, K. M., Keighley
Mellon, F. R., Dagenham
*Morine, F. J., London

Northcott, A. L., Ilorin

O'Connor, M., East Tilbury
Ogale, D. R., Toronto
Osborne, P. J., Birmingham
Owoyemi, L. A., Leeds

Parker, M. F., Portsmouth
Porter, R., Ipswich

Read, A. L., Bulawayo
Richardson, G. V. C., Johannesburg
Ritchie, G. S., Glasgow

Shakespeare, J. W., Beaconsfield
Smith, R. C. B., Cockermouth
Somerville, J. H., Preston
Spicer, J. E., Walton-on-Thames
Stearn, R. C., Upminster
Steer, S. T., Upper Warlingham
Stevenson, A. R., London

Thanangadan, G. E., Karachi
Thurlow, M., Ilford
Trezise, R. C., Luton

Udhalikar, N. N., London

Walker, A. E., Halifax
Wallace, S. O., Lagos
Wase, T. W. D., Ironbridge
Waters, B. W., London
Way, D. H., Runcorn
White, R. J. G., Kingston upon Thames
Winpenny, K. B., Manchester
Wintoki, M. B., London
Wood, C. R., Leeds

Zakaria, I., Selangor

* *Beyer Peacock Prize for Management Principles and Practice*
†*Lewton Coronation Prize for Advanced Accountancy and Financial Management*

PARTS II and III

Richards, A. P. G., Ilford
Such, J. H., Aldridge
Walsh, B. A., Dagenham
Walsh, M. J., Barking

PARTS III and IV

Bell, A. J., Birmingham
Cork, H., St Anne's on the Sea
Jackson, H. W., Tipton
Learmont, J. M., Liverpool
McWhinnie, C. D., Upminster
Morgan, E. B., London
Putterill, M. S., Wellington
Tomlinson, R. S., Camberley

PARTS IV and V

Duggan, J. N., Liverpool
Hill, R. T., Nottingham
Nwangwu, A. O., Woodfood Green
Porter, R., Southampton
Sandland, A. W., Glasgow
Stephens, W. H., Bexleyheath
Taitz, A., Krugersdorp

Summary of Results

	I	II	III	IV	V	I & II	II & III	III & IV	IV & V	Statistics only	Statistics & II	Statistics & III	Total Pass	Total Fail	Total Candidates
Part I	671												671	1,207	1,878
Parts II		62											62	73	135
Part III			31										31	48	79
Part IV				86									86	89	175
Part V					75								75	81	156
Parts I & II	113	41				105							259	347	606
Parts II & III		10	1				4						15	13	28
Parts III & IV			4	9				8					21	29	50
Parts IV & V				8	1				7				16	6	22
Statistics Only										409			409	247	656
Statistics & II		320								217	271		808	645	1,453
Statistics & III ..			236							445		382	1,063	913	1,976
TOTALS	784	433	272	103	76	105	4	8	7	1,071	271	382	3,516	3,698	7,214

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE ACCOUNTANT

ESTABLISHED 1874

SEPTEMBER 26TH, 1964 VOL. CLI. NO. 4684

CONTENTS

Progress in Stock Transfers

PROGRESS and procedural change are not necessarily concomitant. At the time of the introduction last autumn of a simplified system of transfer of stock exchange securities under the Stock Transfer Act, 1963, doubts were entertained by some as to whether the radical changes would, in fact, be universally beneficial. While the public appears to have taken to the new system more readily than those who have to operate it, nevertheless it has been apparent that the elimination of a number of stages under the old system has greatly speeded up the transfer process.

It can be said, therefore, after almost a year's operation of the new system, that it has, in general, proved a success – though the degree of success experienced by different stockbroking firms has certainly varied. Indeed, the introduction of the system has not been devoid of difficulties and it has recently been stated, on the best authority, that 'on several aspects of transfer work, or related matters, there is scope for further improvement'.

The authority we quote is Mr W. S. WAREHAM, Secretary of the Stock Exchange Share and Loan Department, who writes in the current issue of *The Stock Exchange Journal*. The success of the new system is clearly demonstrated by Mr WAREHAM's comment that over 70 per cent of transfers certified at the Stock Exchange each Account are now dealt with not later than the Account Day, while about 45 per cent of deliveries through the Centralized Delivery Department are effected on or before that date. Under the old system the figures were 12 per cent and 15 per cent, respectively.

However, the best of systems can be upset by human frailty and the new transfer system can only be expected to work at its optimum provided that the one signature now required is obtained without delay; that brokers dispatch transfers to registrars as soon as possible and without error; that registrars issue certificates quickly; and that stockbrokers, in their turn, forward certificates promptly to clients.

Acceleration in the delivery of transfers has, it seems, itself tended to complicate the machinery of claiming dividends and other rights; but doubtless this is a matter which, given time, can be overcome.

There can be little doubt that the success of the new transfer system is due in large measure to the very thorough examination and preparatory work which preceded its introduction, and not least by the participation in that work by the English and Scottish Institutes of Chartered Accountants. During the preparatory period there were criticisms that too much time was being

expended in formulating a scheme which was not going to be particularly effective anyway. Such views have been proved wide of the mark. The new system may have its imperfections – most systems have – but there is no doubt that in this case change has led to progress in a sphere in which outdated methods had been retained for far too long.

Apart from the new transfer system, however, there is still a substantial bone of contention among stockbrokers. This is the half-crown registration fee. Some companies have abolished it; others have not – and the 'haves' and the 'have nots' have to be known and listed in stockbrokers' offices. Companies which have dispensed with the fee have, in effect, acknowledged that the administrative cost of its retention was probably higher than the fee itself. It is undoubtedly time that this outmoded and financially irrelevant item in investment cost was entirely abolished.

Plain Words from the Bank

THE overseas trade returns for August offer little comfort to those awaiting the long overdue expansion of exports. The recently issued Bank of England *Quarterly Bulletin* notes that the export figures 'not-withstanding encouraging reports of the state of export order books have not fulfilled earlier hopes'.

In the last resort, however, the *Bulletin* comes back to the same old theme. Unless exports expand, the U.K. economy cannot prosper at a high level of activity. It notes that although 'conditions abroad and the state of order books would appear to have offered scope for a larger increase', the seasonally adjusted figure for the first half of 1964 is only 1½ points higher than that for the preceding half-year. The *Bulletin* refers to the 'marked deterioration in overseas trade' which produced a 'substantial deficit' in the current account of the balance of payments during the first quarter of 1964. Judging by the available figures, the current account deficit in the second quarter 'will again have been large'.

As Mr NICHOLAS KALDOR has indicated in letters to *The Times*, the persistent deficit cannot be ascribed to re-stocking of industrial materials. The fact that gives concern is, as he has pointed out, that it is the import of manufactured goods that have increased most. The Bank of England *Bulletin* underlines this comment with the observation that 'a disappointing feature in the performance of exports was the fall in shipments of machinery and transport equipment' (although exports of cars were maintained). The *Bulletin* adds the thought-provoking comment that 'these goods, which account for about 45 per cent of all United Kingdom exports, have contributed little to their total growth in the past eighteen months'. The geographical pattern of United Kingdom exports shows no encouraging feature. Apart from a 'particularly marked rise in exports to Western Germany', shipments to France and Italy were down and there were falls to most countries both in and out of the sterling area, including the United States.

It is therefore hardly surprising that sterling has occasionally been under some pressure. Nevertheless, despite 'economic and political uncertainties at home, there was', according to the *Bulletin*, 'no evidence of a loss of confidence during this period'. Some of the pressure on sterling seems to have been attributable to external factors such as the anti-inflationary credit restriction in some overseas centres. The reserves increased modestly during the second quarter of 1964, reflecting the fact that the balance of payments deficit was financed by an increase in net liabilities in both sterling and foreign currencies. Also noteworthy is the fact that $1,000 million stand-by credit with the International Monetary Fund was renewed in August.

Some hopes for the 'essential' renewed rise in exports are to be found in the sharply rising export orders on hand for engineering goods. But, as the *Bulletin* reminds us, recent trends are 'a sharp reminder that the U.K. cannot afford a rise in costs and prices which weakens its position in export markets'. In these circumstances the need for an effective incomes policy 'remains as clear as ever'. Nor is there any 'place for the wasteful use of labour, whether resulting from restrictive practices or shortcomings in management'.

The Retention and Disposal of Professional Records

by R. S. WALDRON, F.C.A., F.A.C.C.A.

THE problem of storage is one of the great difficulties of any professional man, and this is particularly true of the architect, the solicitor and the accountant. The architect's papers are generally large and require special cabinets. Those of a solicitor will (apart from trusts) frequently embrace many individual transactions but there may be long intervals, sometimes years, between the occasions when a client seeks advice on a particular subject.

An accountant is in a somewhat easier position because his work tends to be recurring in nature and therefore continuous in the sense that filing can be progressive. There are, of course, exceptions, such as special investigations and the like, where papers come into existence and will require special and individual disposal.

Apart from the usual working papers (i.e. permanent papers such as system inquiry notes (semi-permanent), progressive comparative figure folders, audit notebooks, progressive taxation computations, audit programmes, statistical test notes, etc., and non-permanent papers such as the annual working papers) there are correspondence files, often divided between accountancy (including management accounting), audit and taxation.

All these add up to a mass of papers that may cause real difficulty to the practising accountant who has to decide the twin questions: (*a*) What should be kept? and (*b*) How long? In addition there is the further problem as to the best method of storing documents.

It has been established in law that an accountant's audit working papers are his own property, for in this work he is acting as principal. So far as taxation work is concerned, he acts as agent for his client. Different points will therefore arise in considering the two types of records.

Audit Working Papers

Let us assume at the outset that the accountant's working papers are of excellent technical quality, and that they reflect the advice of the statements U.1 and U.2 on auditing principles issued by The Institute of Chartered Accountants in England and Wales. This being so, these papers will have great value if ever the quality of the accountant's work is brought into question in a Court. They will also be of very real use whenever a business is being investigated for valuation in connection with (*a*) purchase, sale or amalgamation; (*b*) goodwill; (*c*) estate duty; or (*d*) prospectuses.

For these reasons, papers should be kept for at least ten years, this being sufficient to cover the period required by most stock exchanges (the Companies Act, 1948, requires a minimum of five years), as well as the six years during which actions for professional negligence could arise.

Ten years, however, is the minimum time. In fact, so far as possible, these types of records should be kept for a far longer period, for experience has shown that no sooner have working papers been destroyed than some point arises where reference to them would be invaluable. One has only to envisage, for example, a fire destroying a client's private ledgers to realize how useful a complete set of working papers would be.

In connection with the winding up of a business, it is, of course, possible to obtain the authority of the final meeting for the destruction of the documents and books; but audit working papers being the property of the accountant, he may feel that he wishes to retain them for a time.

Storage Accommodation

Wherever possible important working papers will be kept as long as space can be found for them. Storage accommodation outside city centres can usually be found at rents lower than basic office rents; and nothing elaborate is needed. It is usually possible for storage to be done in two stages:

(*a*) papers relative to the immediate past (which are most likely to be needed) and therefore should be kept close at hand in the accountant's own office; and

(*b*) older papers which can be stored in the out-of-town depository.

It is, however, difficult to define what is really important, and it is often impracticable for some

accountants to follow the ideal of keeping papers for ten years simply on account of lack of space. It is therefore suggested that certain papers may be destroyed after five years.

Audit working papers fall into two fairly natural divisions: (*a*) those which are important from a verification and valuation viewpoint; and (*b*) those which are kept to facilitate taxation work, management reports, etc. Once the latter have served their purpose, it is very unlikely that they will be required again and probably they could be sacrificed after three years.

The number of the former could possibly be reduced by removing any sub-schedules which are duplicates of those of earlier years. In fact considerable saving all round could be effected if some of these schedules were transferred year by year into the current file, instead of being written out again when no changes have occurred.

Systematic Removal

It is recommended that such weeding out of working papers should be systematic and regular, in other words become part of the official routine, and could perhaps best be carried out at the commencement of the final stages of each year's audit, when the clerk in charge would automatically be trusted with the task of placing before the partner(s) responsible:

(1) working papers which are ten years old either marked for destruction, or with a note of reasons why they should be kept;

(2) working papers which are three years old, with a schedule indicating which of them might be considered for destruction, and why.

It is also suggested that certain of the more 'permanent' files (e.g. audit programmes, extracts from minutes (if kept separately), stock schedules, internal control questionnaires, etc., could be destroyed after twenty years. This would involve similar action once a year by the clerk in charge of each audit, or by the office manager in connection with those documents that are in a storage-room under his control. It would be the latter's duty to review the documents in storage once a year, so that he can make detailed recommendations to a partner on what should be destroyed.

It is essential that the store-room should be kept in an orderly fashion. The papers should be arranged either in date or alphabetical order to facilitate reference; and where loose papers are kept in parcels, these should be identified by a registered number in a register of contents. A simple way of doing this is the use of cloak-room tickets, each parcel having a ticket stuck on it in a prominent position which can be quickly compared with the duplicate number in the index.

Retention of Papers: A Guide

A guide for the retention of an accountant's papers may therefore be summarized as follows:

	YEARS
DRAFT ACCOUNTS and schedules containing variations from previous or following years	20
TYPED ACCOUNTS and tax computations ..	20
AUDIT PROGRAMMES, internal control questionnaires, etc.	20
SCHEDULES where no major variations are noted:	10
TAX WORKING PAPERS	10
SCHEDULES to profit and loss accounts, mainly for tax purposes	3
LIQUIDATION PAPERS where books destroyed at once by permission	1
OTHERWISE	5

We are, however, left with documents which really belong to clients (strictly, tax working papers should be offered to them before being destroyed), such as vouchers, dividend counterparts, P.A.Y.E. records, etc. After three years the client should be asked either to receive them back or specifically to consent to their destruction. Again the senior in charge must be responsible.

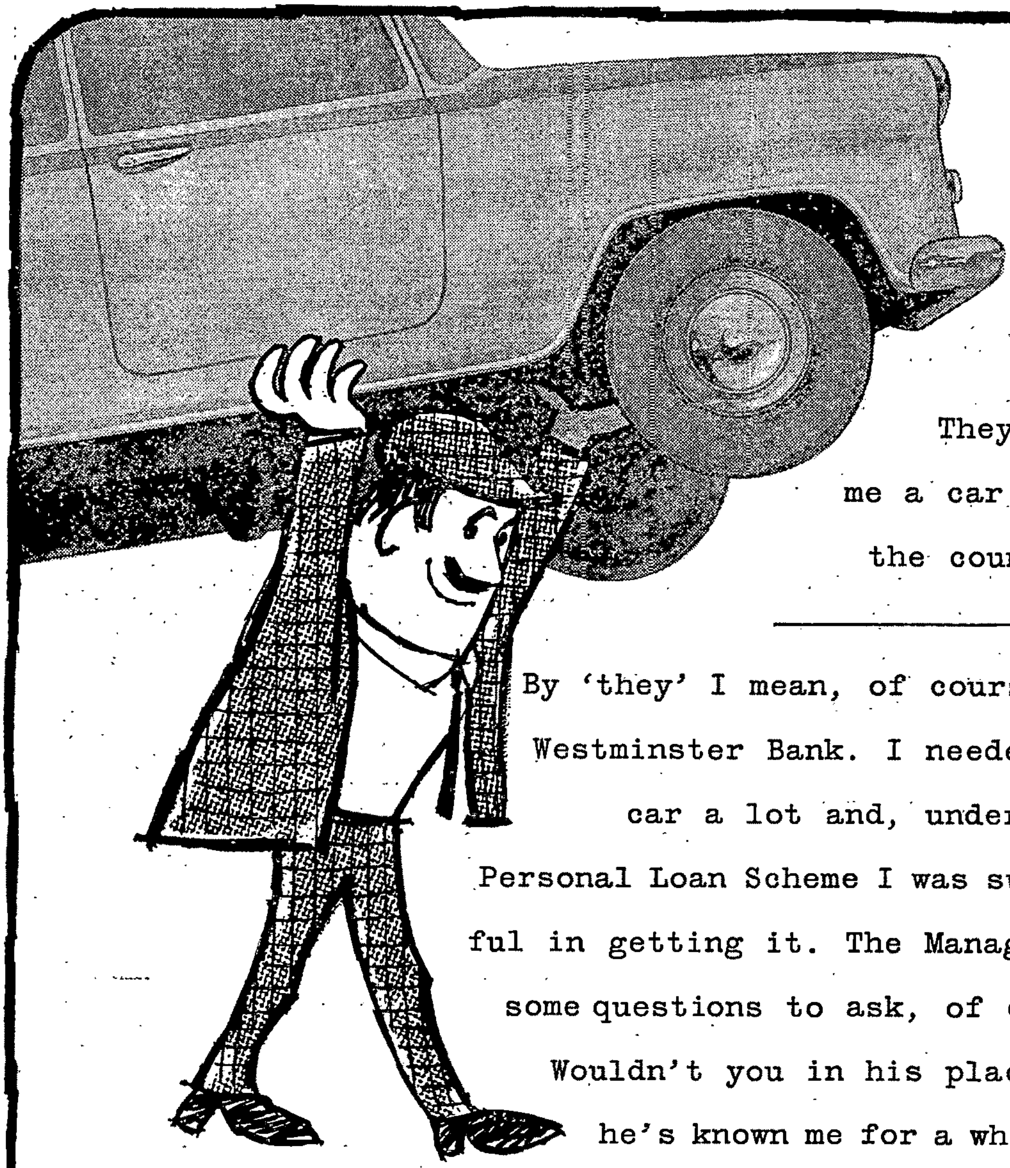
Trust records should, if at all possible, be kept indefinitely.

Documents of permanent significance (e.g. memoranda and articles of association, partnership deeds, clients' private ledgers) must never be thrown away. Ledgers kept for clients of personal accounts, or nominal ledgers, need not be preserved so long, but should be kept for a period of six years and then either sent to the client for safe keeping or destroyed with his written permission.

Accordingly, the audit programme should include the following points:

(1) examine audit working papers for three years past to see if profit and loss accounts or tax schedules are needed – present to partner with recommendations;

(2) examine audit working papers for ten years



past to see whether any schedules still require to be kept – present to partner with recommendations;

(3) examine any audit working papers for twenty years past still in store with a view to recommending destruction;

(4) examine any books of account in store to see whether over six years' old – if so, query disposal with partner.

In the *Report of the Committee on Departmental Records* in 1954 (Cmd 9163) a period not exceeding five years was suggested for the first review of filed documents followed by a second review at twenty-five years and a final review at fifty years. The points were made that it is necessary to ensure that valueless material is not retained, and that the method of selecting records for preservation is administratively practical.

In the February 1964 issue of the Treasury's *O. & M. Bulletin*, Mr C. J. Bourn, of the City of Birmingham College of Commerce, described a study of records retention carried out by the college. It is of interest to see how the various firms differed in their policies on retention periods and Mr Bourn illustrated the variations by tables, thus demonstrating the need for some interfirm comparison and group studies with a view to definitive rulings on the matter. He also examined the research made by one firm into the true value of microfilming so that, for example, where rental of accommodation was 25*s* a square foot, papers would have to be retained for at least four years to justify the filming cost. Certainly both research studies underline the need for a positive policy, and the second of the two makes a compelling case for microfilming.

The author of an article in *The Canadian Chartered Accountant* for January 1964, suggested that working papers should be separated into three categories:

Permanent – to be kept permanently on separate files and updated on a regular basis.

Necessary – to be kept so long as may be necessary to justify the judgement of a particular period.

Subsidiary – to be thrown away so soon as the events of the period covered are over.

An index in each client's main file or pigeon-hole of all items in the office and in store relating to his affairs will facilitate this routine task. It should naturally be amended as items are destroyed or returned to the client.

Correspondence Files

A standardized routine system is usually in operation for correspondence, but in the interests of conserving space this does call for a degree of selective treatment. Current correspondence should be moved to 'second-stage' drawers or lateral filing cabinets at least every two years, but before removal to the storage-room (i.e. after a further two years), it is as well to weed out matter which is not likely to be of any further use and to destroy it.

Such items include simple acknowledgements (except of valuable deeds etc.), mere 'covering' letters, 'social' correspondehce, and so on.

Taxation papers should also be preserved for the ten-year minimum term because they are likely to be required for reference in the case of the sort of investigation mentioned above.

Microfilming

In spite of the weeding out process on correspondence files, papers, etc., which can be destroyed when businesses are wound up or absorbed, space for storage purposes often remains a serious problem, whatever the size of the office, and different methods may be required to solve this difficulty. One of the simplest and best known methods is microfilming. It is not necessary for the accountant himself to possess all the necessary equipment for this; there are bureaux where documents can be taken for confidential processing.

If microfilming is employed, it will be found helpful to arrange this client by client, and in some cases selected (weeded) correspondence may be dealt with along with current audit and tax working papers relating to the same client.

Microfilming costs approximately £2 per one hundred exposures of clean unfolded sheets. Obviously the cost would be higher (possibly by about one-third) for more difficult work.

Because working papers are generally required for reference by audit staff, while correspondence has to be filed by the secretarial staff, it is not always convenient to use the same cabinets for both. For normal current working papers the simple but effective cupboard with pigeon-hole divisions takes a lot of beating, while for correspondence and typed copies of accounts, suspension or lateral filing either in drawers or cupboards is generally found to be convenient. Whatever system is used, however, simplicity of operation is always an advantage, and if a coding system is employed, one based on an alphabetical sequence

is the easiest to use. Whichever method of filing 'dormant' documents is used, a reliable index (e.g. on cards) will be indispensable.

Typed copies of accounts have been mentioned. In addition to office copies there are the master copies where a duplicating method is used, and these masters are normally stored in cases or boxes specially designed for the purpose. They take little space, but it is suggested that after three years (when they are unlikely to be used again) they should be destroyed, and if copies are subsequently needed a photocopying process can be employed.

The destruction of confidential documents is by no means easy. There are firms which will collect and pulp letters and papers and sometimes the accountant's banker will help out. Obviously, burning is the most effective method, but this is not always possible in these days of smokeless zones, and the cost of destruction may be something which every practitioner will eventually have to meet himself. But this will still be cheaper than hiring accommodation to house unwanted matter!

Institute Recommendation on Prospectuses

In its Recommendation No. 16, published in 1957, the English Institute stressed that failure to keep adequate records over the period covered by a prospectus was likely to cause reservations in the reports which might reflect adversely on the reliability of the figures in the accountants' report and be embarrassing to the company's auditors. The Council emphasize the importance of retaining records of importance – especially those where there is a possibility of their being referred to for prospectus purposes – for a long period. The Recommendation points out that this applies particularly to stock inventories – not merely fair copy summaries, but also to the rough stock sheets.

The Practitioner's Own Records

Should practitioners keep their own ledgers, time-sheets, fees journals, pass sheets, etc., for any set time? Once all partners have signed the annual accounts, there would seem to be little point in retaining other than the private ledger for internal purposes. For protection against claims from clients, however, time-sheets, time ledgers, diaries and fees journals should be kept for six years. Some accountants feel it desirable to keep shorthand notebooks for several years in case vital letters are lost or mislaid; but the increasing use of dictating machines is progressively obviating any purpose this may serve.

Estate Duty Planning – II

by K. G. M. HARDING, B.A., F.C.A.

Insurance Policies under the Married Women's Property Act, 1882

A MAN may take out a policy or policies of assurance on his own life but expressed to be for the benefit of his wife or his children. So long as the deceased never had an interest in the policy, and could never benefit from it, it forms a trust policy for the benefit of his wife or his children, and such a policy is not aggregated with the rest of the property passing on the death, but forms an 'estate by itself'. The rate of estate duty payable will entirely depend upon the amount of the policy.

This type of assurance policy is therefore of great value in reducing the total of the property passing and it may accordingly reduce the rate of estate duty payable upon the aggregated property. It is permissible to take out a number of policies, but they must be in favour of a wife or children. Several separate policies may be taken out, but under section 33 (2) of the Finance Act, 1954, all the policies taken out in favour of one person are aggregated in arriving at the rate of duty thereon. If circumstances permit, it would therefore be advantageous to take out a policy in favour of the wife, and a policy in favour of a named child (or named children). Or such a policy may be taken out in favour of the unnamed children of the proposer, in which case further children of the present marriage, or any future marriage, would qualify on equal terms with children living when the policy is taken out, but unless specified otherwise, only children who survive the assured would benefit.

Such a policy may be taken out on a single premium payment, with limited income tax relief. The private estate would thus be reduced by the extent of the premium. The practice once common whereby the greater part of such a premium was paid out of a loan from the insurance company, was rendered no longer beneficial for surtax by section 241 of the Income Tax Act, 1952.

The concluding part of a paper presented at the Cambridge Summer Course of The Institute of Chartered Accountants in England and Wales on September 10th.

The more usual course will be to pay annual premiums, thus securing the normal relief for income tax, and unless these are abnormally large in relation to the proposer's income, they would be regarded as 'justified and reasonable' expenditure under the Finance Act, 1910.

27. Such assurance policies are particularly useful in conjunction with the purchase of an annuity, but under section 34 of the Finance Act, 1959, the proportion of the sum assured, which will be liable for estate duty, will be in the ratio that the premiums paid within five years before death bear to the total premiums paid. Relief, however, will be given under section 64 of the Finance Act, 1960, for premiums paid more than two years before death.

In the case of a policy at a level annual premium throughout, the fraction applied to the proceeds of the policy to arrive at the amount dutiable would be:

Death in the 1st year $\frac{1}{1} = 1$ (full proceeds)

" " 2nd " $\frac{2}{2} = 1$ (full proceeds)

" " 3rd " $\frac{{\cdot}85 + 2}{3} = \frac{2{\cdot}85}{3}$

" " 4th " $\frac{{\cdot}70 + {\cdot}85 + 2}{4} = \frac{3{\cdot}55}{4}$

" " Nth " $\frac{{\cdot}40 + {\cdot}70 + {\cdot}85 + 2}{N} = \frac{3{\cdot}95}{N}$

Where N=5 or more years.

The proceeds of such policies taken out under the Married Women's Property Act, 1882, will often prove useful in providing the cash necessary for the payment of estate duty, particularly if the beneficiary under the policy is the same person as the residuary beneficiary under the will.

Purchase of Annuity, Coupled with Policies under the Married Woman's Property Act, 1882

28. When taken together, these form a very useful arrangement, particularly in the case of a large estate which consists mainly of investments.

A man, having considerable investments, and living mainly on the income therefrom, can purchase an immediate annuity in favour of himself, and provide the cash required from the sale of investments. No estate duty will be payable on the cesser of annuity on his death. The effect of this will be that his own estate will be diminished by the purchase price of the annuity. In the case of any elderly man or woman, the amount of the annuity is likely to exceed the annual income which was derived from the investments sold to make the purchase.

In addition, under the Finance Act, 1956, part of each annuity instalment is deemed to be a refund of capital, and this part will not have income tax deducted at source, nor will it be liable for surtax. The man's net spendable income (after income tax and surtax) may thus be increased. The greater the age of the annuitant, the larger will be the capital element of the annuity instalment.

Most insurance companies will grant, without a medical examination, life policies up to the extent of about 80 per cent of the purchase price of the annuity if taken out simultaneously. Such policies may usefully be written under the Married Women's Property Act, 1882, as discussed above. (See note.)

29. The following example illustrates the potential saving, in the case of the married man, aged 76½, with two children whose net estate (consisting wholly of investments) is assumed to be worth £120,000, upon which the gross income return is 4 per cent, e.g. gross income is £4,800.

If death were to occur without anything being done, the position would be as follows:

	£
Value of estate	120,000
Less estate duty at 50 per cent ..	60,000
Net amount available for beneficiaries ..	£60,000

The proposal is that the man should utilize £50,000 in the purchase of an annuity on his own life, and simultaneously effect three life policies under the Married Women's Property Act, giving cover for a total of £40,000 (i.e. 80 per cent of the annuity purchase price), of which £24,000 is in favour of his wife, £8,000 in favour of his son and £8,000 in favour of his daughter. Such life cover would be obtainable for payment of half-yearly premiums of approximately £2,360. Investments would be sold to produce £52,360 (being the cost of the annuity, £50,000, and the first half-yearly premium on the life policies £2,360).

Even if the death took place within the first year, after effecting the life policies, the position would be as follows:

	£	£
Value of personal estate ..		120,000
Less cost of annuity	50,000	
first half-yearly premium	2,360	
		52,360
		67,640
Less Estate duty at 40 per cent		27,056
Add Estimated proceeds of insurance policies under the Married Women's Property Act to provide three non-aggregable estates of £24,000, £8,000 and £8,000	40,000	40,584
Less Estate duty thereon ..	4,080	
		35,920
Net estate available to beneficiaries		76,504
Net estate available if no action is taken		60,000
Estimated net gain		£16,504

Note. – Since this paper was written, it is understood that the Life Offices have placed certain restrictions upon the granting of such policies without medical examination, in the case of a person aged 80 or over.

As the years progress from the date upon which the policies are taken out, the gain increases considerably, since after the second year the estate duty payable on the policies is reduced by the allowance for apportionment of the premiums paid to date under section 34 of the Finance Act, 1959, and the abatement under section 64 of the Finance Act, 1960. After five years have elapsed, the gain would be further increased by approximately £5,000.

It is now necessary to look at the effect upon income.

Based on an income yield of 4 per cent, the gross income on the original estate of:

	£	£
£120,000 would be		4,800
Less Income tax estimated ..	1,700	
Surtax estimated ..	450	
		2,150
Net spendable income		£2,650

Owing to the realization of investments to a value of £52,360, the gross income would be reduced by 4 per cent on this sum, i.e. £2,094, thus reducing it to £2,706.

In the case of a man of the stated age, £50,000 would purchase an annuity of approximately £8,604 per annum, of which £6,350 would be deemed to be capital (and thus not liable to income tax and surtax) leaving an income content of £2,254, from which income tax would be deducted on payment.

Thus the position would be:

	£	£
Gross income from investments		2,706
Gross income content of annuity		2,254
		4,960
Less Estimated income tax ..	1,450	
Estimated surtax ..	475	
		1,925
		3,035
Add Capital content of annuity		6,350
		9,385
Less Annual premiums on policy		4,720
		4,665
Present net spendable income .. (as shown on previous page)		2,650
Approximate net gain		£2,015

It must be remembered that once an annuity is purchased, the annuitant is subject to the effects of subsequent inflation. Therefore it may be as well, in considering which investments should be sold to provide the purchase money, to choose fixed interest securities rather than equities.

Life Interests under Existing Trusts

Under the Finance Act, 1894, the capital value of the funds from which the income is being received by a life-tenant is deemed to pass on his death, and the capital value of such funds falls to be aggregated with the free estate. The only exception to this rule is when a surviving spouse is the life-tenant, and not competent to dispose of the funds and the funds have already been liable to estate duty on the death of the other party to the marriage.

Where the free estate is large and the settled funds are small, a severe hardship may arise, since the aggregated values may fix a high rate of duty, and the remaindermen may suffer the imposition of a higher rate of duty, disproportionate to the value of the settled funds in which they are interested.

Where therefore settled funds would be liable to estate duty on a life-tenant's death, consideration should be given to terminating the life interest during the life-tenant's lifetime, and provided the five-year period is survived, substantial benefit may accrue to all parties. By eliminating the settled funds from aggregation, the free estate may also benefit from a lower rate of duty.

Disclaimer of Life Interest

This must be total, not partial, and can only be made before the interest has been accepted or has arisen. It must involve the acceleration of the remainder: where the latter is a vested interest, no difficulty should arise, but great care should be taken where the remainder is only a contingent interest.

A disclaimer effects an immediate saving of estate duty and is not subject to the five-year survival condition.

Renunciation of Life Interest

30. Unless the life interest is held on 'protective trusts' the life-tenant may execute a deed of release of the life interest; until a period of five years has elapsed, the funds will have to be aggregated with any other property passing, but there will be some relief in respect of the estate duty payable, under section 64 of the Finance Act, 1960, if the person releasing the life interest survives more than two years from the date of the release.

Partition of Settled Funds

31. This could be done under a deed of partition. The basis of division would be by agreement between the life-tenant and the remaindermen, where the latter are all *sui juris*, by order of the Court in other cases (e.g. where minors or unborn children are involved). It is usual to consult an actuary.

In arriving at an agreed basis of partition it is necessary to take into account (*a*) the present value of the life-tenant's interest, based upon expectation of life, (*b*) the accelerated value of the remainder and (*c*) the prospective saving of estate duty, as against the estimated amount of estate duty which would be payable on the life-tenant's death, if nothing were done. The funds would be valued and that portion of the funds which represented the agreed share of the life-tenant would be transferred to the life-tenant as

an absolute share, and the balance would be transferred to the remaindermen. The trust would thus be terminated.

If, however, an agreed basis of partition is not possible, application could be made to the Court, under the Variation of Trusts Act, 1958.

There will, however, remain in any case a contingent liability to estate duty for five years from the date of partition, and the trustees are personally accountable for duty, until the period of five years has elapsed; they must therefore retain part of the property in their names, or they might cover the risk by insurance. Under section 44 of the Finance Act, 1950, the trustees may, upon a full disclosure of all relative information to the estate duty office, obtain a certificate of the potential liability, and upon receipt of such a certificate, their personal liability is limited to the amount so certified. Funds to at least that value should be retained.

If the life-tenant survives two years, the potential liability is decreased and application may be made for a reduced certificate, and the trustees could then release a further part of the funds to the remaindermen.

The funds released to the life-tenant will become liable to estate duty, if still held, at the date of the life-tenant's death, as part of the free estate. It is very usual for the life-tenant to utilize a substantial part of such funds in the purchase of an annuity, and indeed this may be essential to provide adequate means of livelihood during the remainder of life. As explained earlier, it is usually possible to take out without medical examination life cover simultaneously with the purchase of an annuity, for a sum up to approximately 80 per cent of the purchase price paid for the annuity, and if such a life policy or policies are taken out under the Married Women's Property Act in favour of named relatives, they would carry the substantial advantage discussed under that heading.

Purchase of Life Interest by Remaindermen

32. The remaindermen may agree to purchase the life interest for a stated sum and thus become the absolute owners of the formerly settled funds. Subject to the life-tenant surviving the period of five years from the date of purchase, no estate duty would be payable. The life-tenant must retain no benefit, directly or indirectly, and the remaindermen must take immediate possession.

Where, however, the life-tenant dies within the five years' period, estate duty will be payable, not only on the value of the funds formerly settled, but also on the purchase price paid to the life-tenant by the remaindermen (viz. as part of the life-tenant's free estate).

This potential liability to estate duty on the part of the remaindermen may be covered by an insurance policy, which could be assigned to the trustees to cover their personal accountability to pay the estate duty. A certificate should be obtained from the estate duty office of the amount of such potential liability, as previously explained.

It is open to question whether, for the purpose of a certificate under the Finance Act, 1950, section 44, the value of an insurance policy assigned to the trustees should be regarded as full legal protection to the trustees. The proper course would be to have the retained investments rearranged in accordance with the Trustee Investment Act, 1961.

Purchase of Reversion by Life-tenant

33. The life-tenant, who possesses free estate, can realize part thereof, and utilize the cash proceeds to purchase from the remaindermen the reversion to the settled funds for an agreed sum. Alternatively, the life-tenant could effect the purchase by means of a temporary bank overdraft, which will be later paid off, by realization of the funds transferred from the trustees.

If, however, the life-tenant fails to survive the five years' period, estate duty will be payable under section 28 of the Finance Act, 1958, not only on the value of the funds, which were formerly settled, but also on the value of the consideration given. The trustees being accountable for the potential estate duty, must protect themselves by retaining in their names part of the formerly settled funds.

34. In both these two cases, careful consideration should be given to the amount of the purchase price, which should be fixed, bearing in mind the potential saving of the estate duty which would have been payable, if no action had been taken and the whole of the settled funds had become liable to estate duty upon the death of the life-tenant. The question may be of quite material importance if the free estate of the life-tenant is large.

The legal and other costs involved should also be taken into consideration in fixing the purchase price, dependent upon by which party they are to be paid.

Shares in Private or Family Companies

35. One of the matters upon which advice is more frequently sought from accountants, concerns shares held in family companies. At one time it was possible for the owner of the whole, or almost the whole capital of a private company, to minimize the estate duty on the value of the assets owned by the company, by settling or giving away practically all shares held, thereby ensuring that very little value passed on his death: he could still retain enjoyment of the profits during his lifetime by means of a service contract or the holding of a master share, which in fact gave him complete control of the company.

That position was finally brought to an end by the passing of the Finance Act, 1940. This particular Act is of a complexity scarcely equalled by any other part of British statute law.

The principal sections with which we are concerned are sections 46 and 55 of the Finance Act, 1940.

36. These two sections apply to controlled companies. A controlled company is defined by reference to the surtax definition of companies under the control of not more than five persons, but the estate duty definition also extends to foreign companies. This definition is so wide that in practice it embraces almost all private companies of the family business type.

For the purpose of the definition, the following classes are treated respectively as a single person:

Persons who are relatives of one another.

Persons who are nominees of any other person together with that other person.

Persons in partnership.

Persons interested beneficially in any shares or obligations which are subject to a trust, or are part of a deceased person's estate.

Relative means a husband, wife, ancestor or lineal descendant, brother or sister. A person is deemed to be the nominee of another person, if directly or indirectly he possesses on behalf of that other person, or may be required to exercise on the direction of, or on behalf of, that other person any right or power which is material in determining whether a company is to be deemed to be under the control of not more than five persons.

For the purpose of estate duty, it is immaterial whether the company is or was a public company, or a company in which the public is substantially interested. It is immaterial whether any of its shares are quoted on a stock exchange, except that in the case of a valuation under section 55 of the Act, the asset basis will not apply if in addition there have been actual transactions in the shares on a stock exchange within the year preceding the death.

Section 46

37. For this section to apply, the deceased must have received some benefit from the company: benefit being very widely defined and covering almost all forms of periodical payment. The deceased must also at some time have made some transfer of property to the company (e.g. at the formation of the company, and including a cash subscription for shares). The acquisition of shares by inheritance or purchase is not included. If this section applies, estate duty will be chargeable upon that proportion of the net assets of the company as valued at the date of death, which the benefits received by the deceased over the last five accounting years prior to the date of death bear to the net income of the company, during those accounting periods. This is the so-called 'slice' principle. It is not essential that the deceased should have been a shareholder or debenture-holder of the company at the date of his death.

Section 55

38. Broadly speaking, this section applies where at some time within five years before the date of death, the deceased:

(*a*) Had voting control of the company; or

(*b*) Had powers of a governing director, or like powers; or

(*c*) Was in a position to receive more than half of the dividends and interest; or

(*d*) Had a beneficial interest in one-half or more of the shares and/or debentures of the company.

Points (*b*) and (*c*) must now be satisfied for a continuous period of two years, within the five years prior to the date of death. (Finance Act, 1954, section 29.)

In cases falling within this section, the basis of valuation of shares is in relation to the value, as at the date of death, of the net assets of the company, including goodwill. This overrides the principle that a limited company is a separate entity from the holders of its shares. In other words, the net assets of the company have to be valued as if they were owned by an individual in private business, but where an asset basis assessment is made for estate duty, reliefs apply, as they would in the case of an individual owner, including a 45 per cent reduction in the case of agricultural property (provided the company is engaged in agriculture or forestry and the land is occupied by the company in the course of its business) and 45 per cent in the case of industrial hereditaments (if the machinery and plant is in use by the company).

39. As stated previously, the Finance Act, 1940, provides that section 55 will not apply where the shares or debentures are of a class in which permission to deal has been granted by the committee of a recognized stock exchange in the United Kingdom, and where dealings in the ordinary course of business on the stock exchange have been recorded during the year ending with the death of the deceased.

40. It will thus be seen that a considerable estate duty problem will arise if an individual has control of a company, or if having disposed of his shareholding, he none the less continues to enjoy to the full the fruits of the company's profits. If, as happens frequently, the individual has most of his capital locked up in a private company, and has assets of very little value outside the company, the finding of money to pay the estate duty levied poses a difficult financial problem for the executors.

Under the Finance Act, 1954, section 30 (1), where shares fall to be valued on the net asset basis under section 55, and the shares are sold by the executors at arm's length to non-relatives of the deceased within three years of the death, the sale price is to be substituted for the section 55 value, as the value for estate duty, where the former is less than the latter.

41. It is important therefore to try and plan so that

neither section 46 nor section 55 can apply to shares held in a company (usually a private company). If the circumstances are such that section 55 is applicable, it is obligatory upon the Revenue to use the net asset basis for valuation of the shares. In the case of section 46 being applicable, the Revenue have stated that their practice would be to apply the statutory provisions 'in a reasonable manner'. Only in certain rare cases would a valuation of shares on a net asset basis be advantageous.

42. It is necessary, therefore, to consider what steps can be planned to remove the risk of shares held being valued for estate duty purposes under either of these two sections of the Finance Act. 1940. In effect, the main test is voting control.

Consideration should be given to steps being taken by the individual owning shares or debentures in a controlled company, on one or more of the following lines, though the individual will normally have to survive the transactions by five years:

(*a*) Obtain a stock exchange quotation for the shares. This will be effective as far as section 55 is concerned, under the conditions already outlined, but it will not avoid the invoking of section 46.

(*b*) Dispose of part of his shareholding, so as to reduce his holding to not more than 49 per cent of the equity capital.

(*c*) Make absolute gifts of shares to relatives, or form a settlement with independent trustees.

(*d*) Give up any powers held as governing director, or similar powers.

A capitalization of reserves, and an issue of bonus shares would be an economical method to be adopted, because the bonus shares could be renounced without incurring stamp duty on the allotment letter.

43. It might be possible to consider a reconstruction of the company's capital structure, under which a different class of shares was created, which brought about a change in the voting rights attached to each class. The danger is that the Revenue may seek to apply section 46, and the subsequent amending legislation, to cases where such reconstructions are carried out, with the intention of avoiding or lessening the liability to estate duty.

The individual, having in one way or another divested himself of a controlling interest in the company, could enter into a service agreement with the company, but the remuneration laid down in the agreement would have to be such that it could be justified as reasonable, having regard to the actual service, which he continues to render to the company. Except where the disposal of shares is an outright sale at full market value, the testator would have to survive a full five years before the rigours of section 55 are fully avoided.

Agricultural Property

44. There is a distinct advantage in holding agricultural property, because under the Finance Act, 1949, there was introduced a reduced rate, which is effectively a reduction of 45 per cent on the general scale applicable to the estate. The Act does not provide that the amount of duty on the agricultural value shall be reduced by 45 per cent but that the scale of rate shall be reduced by that percentage. This is important in 'marginal' estates.

The relief only extends to the purely agricultural value and any excess over that value is dutiable at the normal rates. The agricultural value does not include the value of any growing timber.

Growing Timber

45. Where this is included in an estate, the value of such timber at the date of death is not taken into account in arriving at the principal value of the estate, nor of the rate of estate duty nor is it liable to aggregation. Estate duty is not payable until such time or times as the timber is felled or cut, and then it is payable upon the sums realized less all necessary outgoings since the date of death. Interest only runs from the date of sale. The maximum amount of estate duty payable is limited to the duty at the appropriate rate on the principal value of the timber as estimated at the date of death. Proceeds of sale, which exceed such principal value at the date of death, will not be liable to estate duty on that death.

An accumulation of the timber produce may well therefore give considerable benefits to a future generation

Victory Bonds

46. It may be worth while mentioning that as 4 per cent Victory Bonds are accepted at par (plus accrued interest) in payment of estate duty, provided that they have been held for at least six months, a holding of these may be worth while. Though the benefit is only small when the market price is about ninety-seven, they do provide a hedge against a severe depreciation of fixed interest stocks which might occur at the time of death. As Victory Bonds are redeemable by drawings, effective on September 1st in each year, a purchase after the end of February may involve liability to capital gains tax, if a holder has a bond drawn for repayment in the same year.

Domicile

47. All the matters dealt with up to this point have been concerned with the estates of persons who are domiciled in Great Britain. It is now necessary to consider the position where an individual dies domiciled outside Great Britain. For this purpose, Great Britain comprises England (including Wales) and

Scotland, but not the Channel Isles nor the Isle of Man.

Before the passing of the Finance Act, 1962, it was possible for someone domiciled in Great Britain to purchase foreign immovable property, and upon his death, no estate duty was payable upon such property. This exemption no longer applies.

48. If, however, a person chooses to acquire a domicile outside Great Britain, the onus of proof, where a person changes his domicile to one of his choice, from his domicile of origin, is upon the person making the choice, and whilst not conclusive in law, words included in his will stating that he is domiciled in a foreign State, may be prima facie evidence.

Provided he is also ordinarily resident outside Great Britain or Northern Ireland, there are certain British Government securities in which he can invest, and upon his death such securities will not be liable to British estate duty; these securities include 3½ per cent War Loan, 3 per cent Savings Bonds 1955–65, 1960–70 and 1965–75, 5½ per cent Funding Stock 1982–84, 4 per cent Funding Stock 1960–90 and certain issues of National Savings Certificates, etc. The securities may be either owned beneficially or form part of a settlement trust, where on the death of a life-tenant the funds are chargeable with estate duty.

Alternatively, such a person may transfer some or all of his assets abroad, but in most cases there will be difficulties under the Exchange Control Act, 1947, except within the sterling area.

Within the sterling area, the Channel Isles, the Isle of Man, Eire, and certain Commonwealth countries (excluding Canada, which is within the dollar area) remain as possibilities for the transfer of assets by a person who has acquired a domicile outside Great Britain.

49. Shares beneficially owned by a person who dies domiciled abroad, which are registered in Great Britain, e.g. shares in public companies here, will still be liable for estate duty, but the British Government stocks, mentioned on the previous page, will be exempt, as will also be foreign securities.

The position with regard to bearer securities is dependent upon the actual location of the documents of title, at the date of death. Bearer securities, owned by a person domiciled abroad, should therefore be removed out of Great Britain. If left within Great Britain till the date of death, they would attract liability to British estate duty. The liability of a bank account depends upon the location of the branch at which the account is kept.

50. The best made plans which men make are, as we well know, liable to go astray, and this is particularly true in respect of the subject which is under consideration. The almost yearly changes in the law, arising out of new provisions in Finance Acts, make it impossible to be sure that any plan made will be viable within the next year or two. Furthermore, such changes in legislation would not have to be retrospective to take effect. Examples might be the extension of the *inter vivos* period, the aggregation of all life policies taken in conjunction with an annuity, or the quantifying of a beneficiary's interest in a discretionary trust by reference to the average distributions made over a period, expressed as a percentage of the total income of that period.

51. The post-war inflation has increased the difficulty, encountered by small- or medium-sized family businesses, of finding the additional capital necessary for the expansion of a successful business. Every progressive step, consequent upon mechanization and automation, inevitably calls for the introduction of more capital. Whilst it is true that in more recent times there have been established finance corporations, from which additional capital can be sought, the owners of most family businesses would surely prefer to finance the progress of their business out of their own resources. It is in this direction that we as accountants can provide valuable advice and suggestions.

52. I am fully conscious that I have in this paper only attempted to suggest possible plans for consideration in general terms and most of the lines of action suggested involve detailed legal formalities for their implementation. It is, however, intended that this paper shall form a basis for starting discussion and if anything which I have written serves that purpose, it may not have been fruitless.

(*Concluded.*)

Appendix

Rates of estate duty, as amended by the Finance Act, 1963, section 52, applicable to deaths after April 4th, 1963.

Principal value of estate *Exceeding*	*Not exceeding*	*Rate per cent of duty*	*Marginal relief up to*		
£	£		£	*s*	*d*
—	5,000	Nil	—		
5,000	6,000	1	5,050	10	1
6,000	7,000	2	6,061	4	6
7,000	8,000	3	7,072	3	4
8,000	10,000	4	8,083	6	8
10,000	12,500	6	10,212	15	4
12,500	15,000	8	12,771	14	10
15,000	17,500	10	15,333	6	8
17,500	20,000	12	17,897	14	7
20,000	25,000	15	20,705	17	8
25,000	30,000	18	25,914	12	9
30,000	35,000	21	31,139	4	10
35,000	40,000	24	36,381	11	7
40,000	45,000	28	42,222	4	6
45,000	50,000	31	46,956	10	6
50,000	60,000	35	53,076	18	6
60,000	75,000	40	65,000	0	0
75,000	100,000	45	81,818	3	8
100,000	150,000	50	110,000	0	0
150,000	200,000	55	166,666	13	4
200,000	300,000	60	225,000	0	0
300,000	500,000	65	342,857	2	11
500,000	750,000	70	583,333	6	8
750,000	1,000,000	75	900,000	0	0
1,000,000	—	80	1,250,000	0	0

Board and Lodging

by RONALD SHERBROOKE-WALKER, C.B.E., T.D., D.L., F.C.A.

SERVICE in the junior ranks of the accountancy profession, when audit work away from the office is part of the portion, provides amongst other things a sound education in sociology. Many a young man who found himself later in the armed forces owed much to his experiences as an audit clerk. He was better fitted to take the rough with the smooth – a desert sandstorm, the jungle of Malaya, a cushy billet at home – and to treat them all as part of the day's work. Conditions when out on audit would make nonsense of any attempt to make a graph of them. No paper would be deep enough to take it.

One's own first job will never be forgotten – a colliery. For a hot summer week we broiled in the bare living room of an old colliery house, casting huge wages sheets from morning till evening, eyes, hair and mouth full of coal-dust. We stayed at a small 'hotel' some miles away – a Victorian survival smelling of rotting linoleum, cabbage and dish-cloths, and the bedrooms and food were in keeping. If this was to be my life, I felt, I would never survive to become an accountant, industrious or otherwise! Touch and go. I suppose it was like a child being tipped into the water to teach it to swim.

Working in Solitary Grandeur

Back to base and out again; this time to the palatial offices of a local authority, a solo job which put one off the word 'rates' for all time. Here I worked in solitary grandeur in the council chamber and spread out my work over a huge table. Quiet and comfortable, but deadly after lunch (at the local pub) when in the warm stuffy air drowsiness became almost intolerable and there was no companion to keep one awake by calling out a false figure occasionally. On the first day, at four o'clock, there came the pleasant sound of a tinkle of cups and saucers from outside the chamber. Ha! I thought, this will help to keep me awake; but time went on and no tea ever penetrated to the lonely auditor on this assignment.

By contrast, at an engineering works not far away, while working space was more cramped, excellent attention was paid to the inner man. One was treated as a member of the family and regularly at one o'clock there was a summons to join the directors at lunch. Not so, however, at another large business in the city. The unhappy auditors were pushed in wherever reluctant junior members of the staff could be dispossessed of their table and you sat amongst the noise and chatter of the typists and acquired much knowledge of their boy friends. It was difficult to concentrate but the involuntary eavesdropper learnt a lot about young female human nature. The whole place was badly overcrowded, dusty and smelly, and would have had short shrift under modern legislation.

Another solitary audit was in a small factory making components for the gas-lighting trade. A dull job over which I consoled myself innocently with my pipe, until one day the elderly manager came in and pulled up short, his remaining hairs standing on end. Apparently some of the materials in the place were highly combustible and my sin was comparable to that of a miner caught smoking down the pit. I heard all about it but when I left that evening, the kindly old boy came up, patted me on the back and gave me a cigar to put in my pocket and smoke at home.

An experience at another establishment was called to mind throughout the last war whenever a bomb came down indecently near. The place was concerned with the gun trade but one was apt to forget it. Away in a quiet office and absorbed in the work, about twice a day at no fixed times the silence would suddenly be split open by a shattering roar which shook the building and fluttered the audit paraphernalia. The gun barrels were being proofed.

Tea in the Library

The most comfortable conditions were at an old-established and dignified institution where the visiting auditor really came into his own. A magnificent mahogany desk to work at and the staff willing and anxious to fetch and carry the enormous ledgers. Everyone was kindly and helpful, and the highlight came each afternoon when an elderly clerk would approach discreetly and say, 'The Warden would be pleased if you would join him for tea in the library'. There, in a beautifully furnished room and comfortably seated in a soft red leather armchair, I would consume hot buttered toast and wafers of bread and butter, drinking my tea from Worcester china

and enjoying conversation with a charming and erudite client. This once a month occasion made up for a lot!

The variety of hotels in which one stayed on distant audits was so great that after a few years of it you felt fully qualified to enter the hotel industry, or at any rate to recommend yourself to one of those organizations which makes snap checks and awards them stars. They ranged from the four-star 'Grand' where you were very confortable, down to the small town hotel in South Wales where you could not play billiards because a commercial gent slept on the table and no bath was possible since another commercial gent was sleeping in the bathroom.

A liberal education!

Operational Research— an Aid to Management

by ROLFE C. TOMLINSON

Introduction

OPERATIONAL research is a comparatively new applied science and suffers from repeated inquiries as to what it is and how it can be defined. The fact that it is difficult to do so is often considered to be a bad thing despite the fact that similar difficulties of definition occur with almost any other applied science and for all recently introduced advisory services to management. The official definition, prepared by the Operational Research Society, is as follows:

> 'Operational Research is the attack of modern science on complex problems arising in the direction and management of large systems of men, machines, materials and money in industry, business, Government and defence. The distinctive approach is to develop a scientific model of the system incorporating measurements of factors, such as chance and risk, with which to predict and compare the outcomes of alternative decisions, strategies or controls. The purpose is to help management determine its policy and actions scientifically.'

The best way to explain operational research is by example and the present text sets out to do this. The rest of this introduction is therefore concerned with a 'typical' O.R. study. The second main section of the paper will then discuss something of the history of O.R., how it is carried out and its relationship to other management services. In the final section are discussed the main fields of application to which O.R has so far been applied.

Airport Example

The example described in the following paragraphs is taken from a study carried out by A. M. Lee[1], who at the time was on the staff of British European Airways. It concerned the work of apron control at London Airport (the apron being, of course, the concrete apron on which the aeroplanes stand for unloading and loading).

The purpose of apron control was primarily to co-ordinate all activities relating to the turn round of aircraft to ensure that flights departed on schedule. It was supposed to do this by continually checking and assisting the progress of the work, preparing aircraft for flight and by recording and partly controlling the flow of passengers through the airport building from H.M. Customs onwards. The progressing of turn-round activities was effected in the following way. Every aircraft on the apron was visited periodically by an apron observer who noted which activities had been completed and estimated which flights might cause delay. These facts and notes were transmitted to the departures controller, who recorded the completion of activities and relayed queries regarding potential delays to the sections concerned, received their instructions and transmitted these to the apron observer. Where a delay appeared inevitable, the departures controller was supposed to decide what rearrangement of turn-round activities was necessary, and inform all sections of this. The departures controller was also concerned with the flow of passengers and luggage through the airport building and this required periodic contact with more than twenty other functions.

Key to the Problem

The study was originated because of certain disturbing symptoms which occurred during its busy periods. In the first place, there was considerable difficulty in making contact with the departures controller, a circumstance made the more serious by the fact that no decisions could be made until he had been contacted. Obviously this led to delays. Secondly, at peak times incorrect advice or instructions were

[1] 'Some aspects of a control and communications system', *Operational Research Quarterly*, December 1959.

A paper presented at the Midland Regional Cost Conference of The Institute of Cost and Works Accountants, on September 19th.

occasionally being issued. It was clear therefore that the departures controller was the key to the problem and that a study must start from an investigation of the way in which he used his time. It was found that, on receipt of incoming calls, he either had to memorize the information (which he would do if he did not expect to have to remember it for long) or record it in some way on a chart. He then had to combine information on this chart with that retained in his memory and take decisions on action which would result in outgoing calls.

Formulating a Remedy

This simple 'model' of how he worked was the basis of all further work. Before any theories could be established as to how the system could be improved, it was necessary to determine how great was the load; this was done by studying the numbers of calls coming in and their duration. It was found that during the most busy period the controller was handling incoming calls for about two-thirds of his time and that the average duration of a call was just under a quarter of a minute. Theoretical calculations showed that in these circumstances, incoming calls would be delayed by about half a minute on average, but that a proportion would be delayed by more than two and a half minutes. Such observations as could be carried out confirmed these calculations. It appeared from this that the departures controller was seriously overloaded. The first step, therefore, was to see if the number of incoming calls could be reduced. An analysis of the content of the calls showed that many of them dealt with routine matters and that if apron observers reported only when things were going wrong, the total number of calls handled by the departures controller could be reduced by about a quarter. This would relieve, at least for the time being, the difficulties arising from inability to contact the departures controller to obtain decisions from him.

At the same time the problem of garbled or forgotten information, which was leading to mistakes, was also studied. From a knowledge of various studies which had been carried out in connection with the psychology of learning and memory, it was thought that the percentage of mistakes arising would be directly proportional to the amount of information that the controller was trying to retain in his mind at one time. Various empirical relationships were determined as a result of which it was concluded that for satisfactory performance the average number of topics to be remembered at one time should not be more than six. Occasionally, the memory would be capable of handling as many as ten or eleven topics but six was the satisfactory average. This was found to correspond closely to the load which the controller was at present handling (confirming that he was stretched to the limit). The reduction of load on the controller, by eliminating routine calls, should therefore reduce the chance of mistakes to an acceptable level.

Although the problem was alleviated for the time being, forward estimates of the kind of traffic indicated that within a year or two the load on the departures controller would again reach critical proportions. At that stage it would only be possible to reduce the load on the departures controller by sharing the work. It was obviously not possible to have two people handling the work at the same time as they could not share the same short-term memory, i.e. they could not know what was in the other's mind. It was, however, found that by dividing the work in such a way that one observer dealt with matters up to twenty minutes before the aircraft's flight and the other dealt with everything in the last twenty minutes, the problem could be solved.

This example shows certain features which are common to many O.R. studies. In the first place, it was necessary to sort out the real problem from the symptoms which were presented. Careful analysis was necessary to determine the cause of the trouble before the form of the solution could appear and a 'model' of the system needed to be prepared. Another vital feature was that the researchers did not have, and did not require, any direct expertise in the problems they were studying. They were neither apron observers nor departures controllers. Any technical information about the work they obtained from the people concerned. The analysis of the problem did not in this case require more than a knowledge of elementary mathematics or statistics; what the researchers used was their general scientific training and knowledge in order to propose a solution based on investigations in other sciences. Finally, the investigation started from the collection of the basic data rather than from preconceived ideas and finished with a solution that could be put into operation by the staff concerned without continual supervision from the researchers.

Background to Operational Research

O.R. started as a recognized science during the last war. It is a British invention which was quickly taken up by the United States of America and is now widely applied in both these countries and also in most of Western Europe. It started as an off-shoot of the introduction of radar. When the first radar sets were delivered to the Air Force they were found not to be as effective as they might have been, for reasons which did not seem to be directly technical. Some experienced scientists were therefore appointed to the field installations, with wide terms of reference, to study the practical and technical problems involved. They were given direct access to military personnel at a high level in order to find out what was required. This partnership of experienced scientists talking to senior officers on matters of policy and tactics proved extraordinarily fruitful. It was found that many tactical problems could be solved by the application of careful scientific analysis combined with some simple statistics and it was not long before a number of O.R. teams were set up in the various commands of the Air Force and then in the Navy and the Army.

After the war, it was realized that many of the problems of strategy and tactics to which the scientists had applied themselves in the armed forces also existed in industry. Thus many of the wartime O.R. workers joined industrial firms and sought to apply the techniques they had learnt during the war to industrial problems. Progress was slow at first but by 1949 it was clear that the subject was of value to industry and the number of practitioners was growing. Accordingly, in the United Kingdom an Operational Research Club was founded which subsequently became the Operational Research Society. The Society now has over one thousand members and has its own journal which this year is in its fifteenth volume.

From the start, O.R. has emphasized its inter-disciplinary nature, that is, it is not composed of scientists of only one discipline or speciality. Although there is a tendency for people to associate O.R. with mathematics and computers, it should be noted that the first O.R. workers were biologists. Most O.R. groups deliberately aim to ensure that their teams include people from as wide a variety of disciplines as possible. Mathematicians, statisticians, physicists, chemists, engineers of all kinds, are regularly recruited and in addition many groups include economists, psychologists and accountants. Although the various mathematical techniques can be taught, O.R. is essentially a practical science and the main training of an O.R. worker has to be on the job. Consequently, most people coming into the subject do so straight from college and are in training for the first few years.

Organizations Undertaking O.R.

Most large industries now have sizeable O.R. groups, the largest consisting of over seventy scientists; more commonly a group will consist of ten to twenty trained researchers. A group which consists of less than ten men is likely to be in some difficulty, both because of problems in maintaining a proper balance of experience and, in a profession where the turnover of staff is very high, of maintaining continuity within the firm. The following is a short list of some of the organizations who undertake O.R.:

National Coal Board	Central Electricity Generating Board
British Railways	London Transport
British European Airways	British Overseas Airways Corporation
The major oil firms	Courtaulds
The major steel firms	British Iron and Steel Research Association
Imperial Chemical Industries	Pet Foods
Associated Electrical Industries	Littlewoods Mail Order Stores
Albert Reed & Co Ltd	

In addition, a number of firms of consultants carry out O.R., some specializing in O.R., others as part of their general management service.

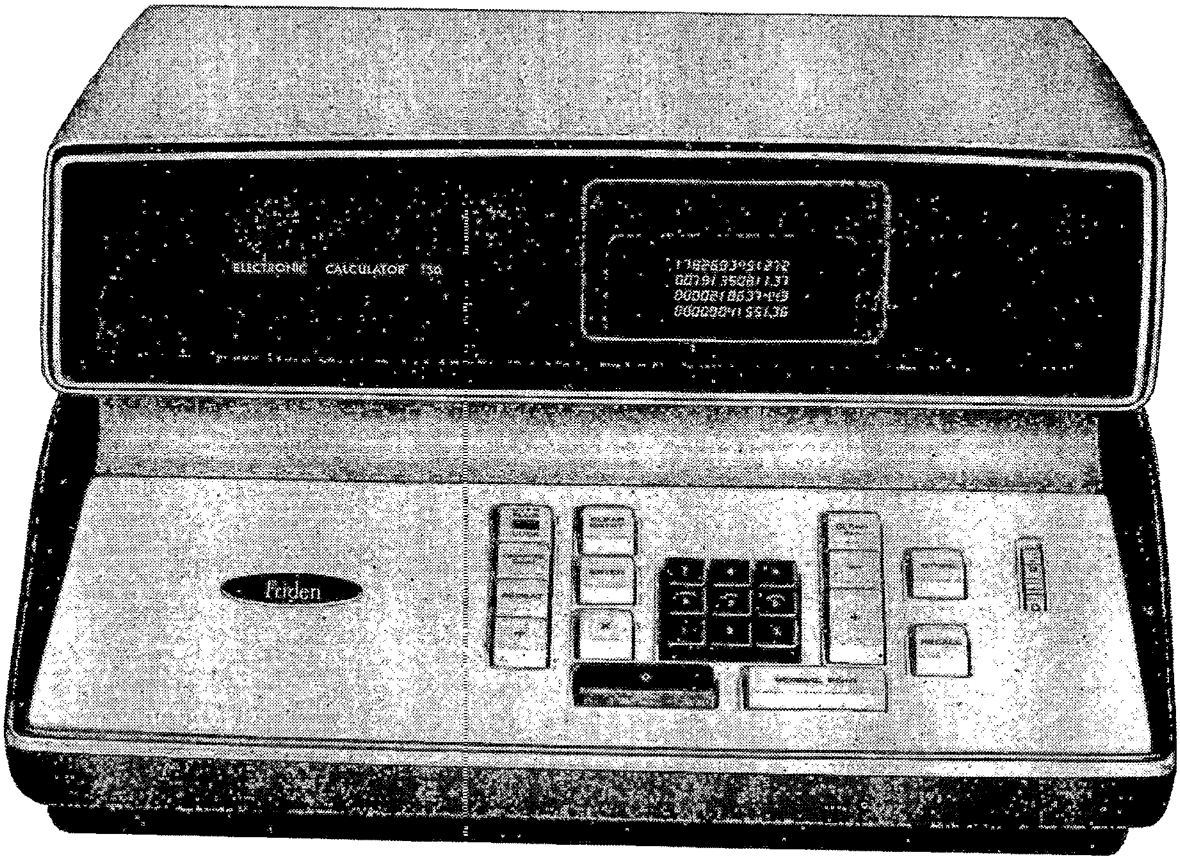
Much discussion takes place over the relationships between O.R. and other managment advisory services, such as O. & M., work study, industrial engineering, etc. In the first place O.R. differs in the sense that its staff are not specialists in any of the fields being investigated. O. & M. staff are generally experienced administrators, work study men generally need to be engineers, etc. Because of this, O.R. tends to be looking not at *how* things are done but *what* should be done, problems of strategy rather than tactics. In practice, however, it is to be realized that there is no clear-cut distinction between the boundaries of these various services. Very often it is not possible to tell at the start of the study which particular expertise is going to be required. For instance, in the example already discussed, it was necessary to call on the services of the work study branch to devise a system for recording the information required by both departures controllers when the work was assured. The fact that the boundaries are not clearly defined should not, however, alter the fact that in the vast majority of cases it is quite clear which speciality should study a particular problem. It is dangerously misleading for any one speciality to imply that it can usefully take over the responsibilities of any other.

A Conspectus of Operational Research Problems

Many descriptions of O.R. start from a list of the mathematical techniques employed. This is, however, misleading since probably 50 per cent of O.R. problems do not use any particular mathematical techniques. A classified list of the main types of problem handled is more helpful but this, too, can be misleading. The reason for this is simply that O.R. is research; the greatest return is as likely to be obtained from entirely new sorts of problem as from a repeat of a study which has been carried out elsewhere. This calls for a full and free discussion between the manager and the O.R. worker so that possible fields of study can be identified. It may be that the initial study in an organization will be of a conventional kind but this must never be allowed to limit the potential scope of investigation. Once this warning has been administered, however, some classification[1] of typical O.R. problems is helpful.

To begin with we may divide our problems into two main groups. The first group derive their difficulty from the sheer complexity of the factors affecting the decision to be taken. For instance, in devising a schedule for a lorry fleet there may be literally thousands of ways in which this could be done and it may be exceedingly difficult to identify just the right one. The second group of problems arise because of variability of input to the system and of the behaviour of certain parts of the system. A simple example of this occurs in trying to decide how many cash desks to put up at a supermarket. The problem is not to

[1]This classification is based on that given in *A Managers' Guide to Operational Research*, by Rivett and Ackoff. John Wiley & Sons, 1963.



What's behind this Friden machine?

predict what the future volume of sales may be – variations in this occur over a sufficiently long time for any changes necessary to be implemented – but rather to deal with the unexpected and unpredictable variations in the numbers of cash customers arriving at different times during the day. Real life problems, of course, generally combine both elements of complexity and variability.

We will deal with problems of complexity first.

Allocation Problems

The simple type of allocation problem is that of the merchant who has goods at a number of warehouses and has to supply a large number of customers. The problem is to decide what goods to deliver to a customer from which warehouse in order to minimize the overall transport costs. If the number of customers and/or warehouses is small, a fair solution to the problem can generally be reached by a process of trial and error. If, however, the number of customers and warehouses increases above ten it is almost impossible to be sure by trial and error that the solution obtained is in fact the best possible one. Fortunately, this is a kind of problem which can be solved by a mathematical technique known as linear programming and it is generally found that for problems of any complexity the mathemetical answer gives results which are about 5 per cent better than that which is obtained by a process of trial and error by experienced managers running the system. The improvement is generally to be found in the form of a little bit here and a little bit there rather than in major changes; this is, of course, to be expected.

Some problems of allocation cannot be solved by linear programming; sometimes more complex mathematical techniques are used, very often the problem is not one which can be solved by mathematics. Whatever the model and its method of solution, these problems have in common a need for basic data, an understanding of what is required and how errors in the basic data can affect the answers. Very often the customer may be receiving materials of varying qualities and may require that the blend is of certain quality. There may be restrictions on the amount of a particular product that is acceptable or the amount that can be moved over certain routes. The greater the number of such restrictions, the more value there is to be obtained from the use of the technique.

Many problems of allocation which have little apparent connection with this distribution problem can be tackled in the same way. It is, for instance, possible to consider planning or investment policy in this light. What we have in this case is a list of resources (taking the place of the warehouses in the above example) and a list of possible users for the resources (taking the place of the customers). The best investment policy will be that which allocates these resources in such a way as to give the maximum possible return. It may not be generally known that attempts are being made to consider the national economy in this light and analyses of this sort have been used by the National Economic Development Council in their work. At the national level, this work is still in a very formative stage, but in industry it is already proved.

Sequencing Problems

A good example of sequencing is the planning of a complex operation in which a large number of separate activities have to be carried out, some of which can only be handled when others are completed. This has to be done with a restricted supply of men, capital and materials. The problem is thus to decide on the best sequence of activities that will complete the operation as quickly or as economically as possible. A technique which has recently been developed for this work by O.R. and which is greatly in use in this country at the present time is known variously as C.P.S., PERT, or network analysis. This technique will be discussed more fully by the next speaker and I shall therefore not discuss it further at the present time. However, there are many problems of the sequencing nature which cannot be handled by network analysis and which need to be studied as a one-off job.

Routing Problems

Anybody concerned with the organization of transport fleets is well aware of problems of this kind. If your warehouse is to serve a large number of customers with a variety of products you have the problem of deciding how to route your lorries and how to load them in such a way as to minimize your overall costs. In its most mathematical form this is known as the travelling salesman problem and has appeared in the mathematical puzzle books for many years.

There are, of course, more than three types of problem of this kind, but perhaps these three are sufficient for the purposes of illustration. We come now to problems whose difficulty arises from their inherent variability. Three examples will be given.

Inventory Problems

Inventory may be classified as idle resources. Any inventory means tied-up capital which could be used profitably elsewhere. It is held as an insurance in order to be able to meet the requirements either of customer or of engineers in order to keep production flowing. The cost of inventory is thus balanced against potential losses in the form of plant breakdowns or lost orders. Other factors have also to be considered such as the cost of administering the inventory system, and labour problems which may result from fluctuations in production caused by keeping too small an inventory. It is fairly easy to see that it should be possible to express such a problem in mathematical terms so as to minimize the overall cost to the firm, i.e. to set up a mathematical model of the

system. Unfortunately the problem is seldom as simple as the mathematical equations might indicate. Inventory is generally held at more than one level in the organization and if this is so then one also has to consider the arrangements made for transferring the inventory from one level to another. Moreover, the possibility may occur in making some change to the system which will increase the inventory but reduce costs elsewhere. Nevertheless this, with allocation, is probably the field most fruitfully explored by O.R. in the past. It is probable that these two types of problem between them account for well over half of all O.R. effort at present being applied in British industry.

Queueing Problems

Queueing is something to which we are all subject and of which we all have experience, whether at the bus stop, at the shop counter or in the pile of paper lying in our in-tray. Whatever commodity we are considering, if the pattern of arrival is known, i.e. both the average interval between arrivals and how variable this interval is, and if the way in which the queue is served is also known it is possible to derive mathematical equations which will indicate how long on average an item has to wait to be served and what the extreme waiting times are. In complex cases where there are several queues in series, it may not be possible to solve your mathematical equations that are derived and in this case a solution can be obtained by use of a technique known as 'simulation'. This technique enables a computer, in a few seconds, to follow through the whole process of building up of a queue and its subsequent behaviour with the result that in a minute or two it should be possible to compare how the systems will react to series of events that in practice would take months or years. It is thus possible to experiment with proposed changes to find out what will serve best.

The range of queueing problems in industry is very wide – virtually all problems of capacity come under this heading. Problems concerning the flow of material in steel works and the effective loading and unloading of ships in ports are all essentially queueing problems and have been solved using simulation.

Replacement Problems

The basic problem of replacement is to decide when it ceases to be economic to repair existing equipment and therefore to order fresh equipment. The decision has to be based on knowledge of depreciation, running costs, repair costs and decisions will probably have to take into account discounting procedures. The problem owes much of its complexity to the element of uncertainty. It would be relatively easy to decide on a replacement policy for a fleet of lorries if the various costs could be relied on to follow a standard pattern. In practice, the variations about the pattern are such that you can only use replacement theory to devise a general policy, and one has then to try and devise a procedure which will provide the best answer for each particular time that a decision has to be taken.

The problem of replacement is, however, not just confined to equipment replacement. The whole problem of capital investment to some extent embraces the correct understanding of replacement. The problem of labour supply and availability is another branch of the same subject, since in fact the men employed at a factory are a valuable capital asset with an unpredictable life. A number of studies have been carried out on manpower forecasting and recruitment using these techniques.

Despite the warnings given earlier in this section, if the discussion is left at this point the impression will inevitably remain that operational research is a collection of semi-mathematical techniques. It may, therefore, be helpful to conclude with a list of some of the problems that are currently being tackled by the National Coal Board's Operational Research Branch, which is one of the largest O.R. groups in the country.

(i) Planning, in the short term, production from a group of collieries.
(ii) Planning, in the long term, production from a coal field.
(iii) The planning and control of major capital projects.
(iv) Assessing the potential value of new developments.
(v) The optimum length of coal face for certain machines.
(vi) The best equipment to buy.
(vii) The stock control policy for colliery and central stores.
(viii) Planned maintenance policy.
(ix) Reorganization of a stores system.
(x) Manpower forecasting.
(xi) Best location of new plants.
(xii) Distribution of domestic coal to central depots.
(xiii) Improved facilities at a port to deal with increased coal exports.
(xiv) Operation of internal railways.

Other operation reseach groups would provide an equally varied list, with probably few common items.

Conclusion

The purpose of this paper has been to explain what O.R. is. No reference has been made to the particular relationship of the subject to cost and works accountants. Suffice it to say that O.R. depends on facts, often economic facts, and that the relationship between the cost accountant and the O.R. worker needs to be very close.

Acknowledgement
The author is grateful to the National Coal Board for permission to present this paper. The views expressed are, however, his own.

Weekly Notes

COST ACCOUNTANTS' SUMMER SCHOOL

THE fifteenth residential summer school of The Institute of Cost and Works Accountants opened at St Catharine's College, Cambridge, on Friday of this week and will continue until next Monday evening.

The course was opened by Mr W. L. Spalding, B.SC.(ECON.), C.A., F.C.W.A., F.C.I.S., a Vice-President of the Institute, who was deputizing for the President, Mr J. P. Wilson, F.C.W.A., F.C.I.S. Members were then addressed by Professor N. A. Dudley, PH.D., Lucas Professor of Engineering Production at the University of Birmingham, on 'The impact of engineering production research on industrial management'.

On Saturday morning, the first paper, 'Computers: the challenge to industrial accountants', is being presented by Mr L. W. Rice, B.SC.(ECON.), F.C.W.A., A.C.I.S., management accountant, Esso Petroleum Co Ltd, Southampton, and on Sunday morning, Mr D. C. Edis, F.C.W.A., M.B.I.M., of Birmid Industries Ltd, will speak on 'Standard marginal costing in action: a case study'. The third and final paper, 'Establishment of key factors for control purposes' will be given on Monday morning by Mr J. F. Body, F.C.A., F.C.W.A., group chief accountant, Newton Chambers & Co Ltd. Each paper will be introduced at a half-hour session during which the author will bring out salient points of his thesis or suggest topics for thought and discussion. The papers will then be discussed by members in groups and the group reports will be submitted to the authors who will then deal with the major points raised.

The course will conclude with a formal dinner on Monday evening.

CARTELS IN THE COMMON MARKET

THE Commission of the European Economic Community has recently warned a number of concerns in the Community that it cannot exempt certain agreements from the cartel provisions of the Treaty of Rome. This notification is thought to cover about fifty companies in sand and gravel. If the Commission does not give clearance under the provisions of the treaty, it can proceed to impose fines under Regulation 17.

About thirty-seven thousand agreements have been notified under Article 85 of the Treaty of Rome and of these it appears that about one hundred and sixty have been selected for special study. There have been one or two cases in the past when the Commission has recommended that an agreement should be dismantled but a more terse procedure has been employed in the case of sand and gravel.

With such a large number of agreements liable to scrutiny under the treaty, it is desirable that a body of case law should be established as quickly as possible so that companies can seek professional advice on the interpretation of Article 85. The signs are, however, that such a body of precedent may not be easy to set up. To judge from the case of sand and gravel, a minimum of information may be forthcoming as to why the Commission has interpreted Article 85 in a certain way.

TRADE WITH AUSTRALIA

IT has been apparent for some time that the traditional trade pattern between Britain and Australia is likely to undergo serious modifications. The protection of British agriculture has unwelcome overtones for Australia: the reluctance of Australia to commit itself wholeheartedly to a policy of preference for British imports of manufactured goods is unwelcome in the United Kingdom.

These mutual reservations about the future of Anglo-Australian trade have come out into the open at Sydney where the Australian-British Action Councils have been meeting this week. Lord Baillieu, chairman of the British Action Council, has said that the Australian tariff policy was prejudicial to imports from Britain and that Australia has gone beyond the provisions of the 1957 trade agreement between the two countries. This agreement emphasized that each country should be able to compete in the other's markets on fair commercial terms.

The Australian Trade Commissioner said that there has been a rapid change in Australia since the war and that Britain was still the largest contributor of development capital to Australia. It seems unlikely, however, that Australia will modify its policy of buying industrial goods in the market which suits it best. Over the last five years, according to Australian sources, imports from the United Kingdom into Australia dropped from 35·7 to 27·8 per cent of the total. Exports from Australia to the United Kingdom fell over the same period from 25·6 to 18·4 per cent of the total.

B.E.A.'s FREIGHT PLANS

BRITISH European Airways has announced plans for trebling its air freight traffic to eighty-five million ton-miles a year in five years' time. Official statistics do not separate the airlines, but figures of total freight carried by air show a large increase in the last five-year period. In 1959, the airlines carried a monthly average of 5·8 million short ton-miles. In 1963 they carried 11 million.

According to B.E.A., two-thirds of the freight it carries at present is taken by passenger aircraft. By

1970 all-freight services should account for 80 per cent of freight traffic. This will be brought about over a period of time on the five new Argosy 220 freight aircraft coming into service. These aircraft were formally ordered this week. B.E.A. already operates Argosies but the first full year of operation for the new aircraft, which will be 1965–66, is expected to see an expansion in revenue from freight from £3·9 million to over £6 million.

These plans, of course, depend upon satisfactory freight handling facilities being available at Heathrow. Mr Anthony Milward, chairman of the corporation, said this week that they planned to make London Airport an air-freight marshalling yard of Europe. The complementary step to availability of the right aircraft must be availability of the right freight handling installations at Heathrow. One of the part-time directors of B.E.A., present when the announcement of the order for the new freighters was made, said that the new freight terminal at Heathrow must be ready by mid-Summer of 1967 if B.E.A.'s plans were to be carried through.

This is My Life . . .

by An Industrious Accountant

CHAPTER 243

'YOUR trouble', said Prinny, our personnel director, with characteristic pomposity, 'is that you're inclined to get intense in an argument'. He sat back and surveyed me. 'Emotion is out of place in committee; remember that the ideal executive in an organization like ours is suave, co-operative, and tolerant. To suggest to the board of directors that the sales manager is either knave or fool, is hardly the thing now, is it?'

'With all respect,' I replied with some stiffness, 'that depends on the degree of accuracy in the aspersion. For the record, however, I had previously addressed the same comment to the individual in question'.

'Furthermore', said Prinny, with an assumed air of kindly detachment which was patently insincere, 'you later proceeded to interrupt the deputy-chairman in the midst of his explanatory remarks about . . .'.

'He interrupted me first', I interjected. The deputy-chairman is one of those self-sufficient characters who interrupts regularly; his loud and not-noticeably-melodious voice tending to go on and on until the original speaker ceases talking from either courtesy or exhaustion.

'Now you've interrupted *me*', said Prinny, rather pleased to score this direct hit. 'You see what I mean; you're contentious and argumentative'. My explanation to the effect that surely sincerity was to be preferred to false or resentful acquiescence sounded rather lame, even to myself. I decided not to refer to yes-men, considering the general tenor of our talk, and silence ensued.

The sales manager was really responsible for our altercation. Our punched-card analyses show in detailed permutations the spread of all our sales; he wanted to merge the figures into a few broad general totals, thus losing most of their value. Easier to remember that way, he argued, in a specious effort to mask some telling weaknesses in our operations. The directors had swallowed his nonsense hook, line and sinker; they haven't realized yet that sales managers are just naturally born swindlers, in what one might call the Pickwickian sense of the word.

'Calmness pays off, you know', mused Prinny. 'Speak in a firm voice, deliberate but deferential. Watch everyone round the table; catch their eyes, if possible. If you hold a man's gaze you can influence him; if he's looking away, you've generally lost him'. He produced his cheroots. 'Always look for the friendly gesture . . . have one, old chap? . . . ask the other bloke to help you solve your problem; mollify him, what?'

I'd held the deputy-chairman's gaze all right, I reflected, but I hadn't mollified him; far from it. He'd almost exploded with repressed annoyance. Perhaps the personnel director was talking sense; I needed a little more gay camaraderie, the lighter touch, less impetuosity; I'd try to improve. 'Knave or fool' was a bit much, perhaps. Mind you, I always prefer honest human nature – even if a bit tactless – to polished guile.

I retired in contrite mood as Prinny received his next visitor, one of our senior maintenance engineers. 'Sit down and have a smoke, old chap', beamed our director. 'I'd like you to help me in a little demarcation problem that's just cropped up; I'm sure a man of your experience can sort things out easily'.

That was the technique, I brooded, while asking Prinny's secretary to pick me out a volume on modern management principles from his bookcase. Copy the expert; learn to be good at handling men . . . just then Prinny's door flew open and the engineer stalked out red-faced and furious. 'Not a so-and-so inch!' he growled back over his shoulder. 'Your damned demarcation principles will wreck the company!' shouted Prinny angrily.

The door slammed on their unresolved problem. Human nature. . .

Finance and Commerce

In Ceylon

THIS week's reprint is from the accounts of Walker, Sons & Co Ltd, plantation machinery makers, engineers and merchants, whose operations are dependent on Ceylon's economy. Its chairman, Mr E. A. Badman, F.C.A., is a member of the Council of the Ceylon Association in London. The accounts, for the year to September 1963, have only recently been published but one can understand the delay in the light of the difficulties which companies operating in Ceylon have to face.

Ceylon is largely dependent – one could almost say totally dependent – on prices for tea and rubber and faces chronic balance of payments difficulties. As can be seen from the profit and loss account, taxation is crippling. Exchange control and import restrictions are severe and the future is obscured by the sudden introduction of some new control or a new threat of nationalization.

Pre-tax profits this time show a substantial recovery from £65,157 to £138,421, as Mr Badman points out, but the incidence of Ceylon taxation will be noted, although the tax charge is relatively lower at approximately 76 per cent as against 82 per cent due to a smaller remittance tax liability of 33⅓ per cent on the dividends remitted in the previous year. Net profit is up from £11,557 to £33,340, which has enabled the board to propose a 10 per cent dividend. The actual payment, however, is held up by events subsequent to the issue of the report and accounts.

Moratorium

The report says: 'It is proposed subject to Exchange Control to post dividend warrants to Ordinary stockholders immediately after the conclusion of the meeting.' That was dated July 14th and the meeting was called for August 18th.

At the meeting, it was explained that in June 1964 an application was made to the Ceylon Exchange Control for a remittance to cover the dividend. Unfortunately, after the report and accounts had been dispatched to members, the Ceylon Exchange Control issued on July 30th an order directing that no payment may be made by way of dividend either out of funds held in the United Kingdom or from remittances from Ceylon, the moratorium operating initially for a period of a year from July 31st, 1964. It was thus not possible to post the dividend warrants.

But the directors decided that the dividend having already been recommended before the issue of the Exchange Control direction, it was proper that it should be declared at the annual meeting, but that it should only be payable when remittances from Ceylon in respect of the profits of the year to September 1963 were permitted.

The resolution was worded to that effect with the proviso that the dividend was to be payable to holders on the register on a day to be fixed by the directors. As and when Exchange facilities for the payment of dividends are restored, the directors will announce a fresh date for the closing of the books. Meantime, the right to receive the dividend passes to the buyer if the Ordinary stock changes hands. It is understood that the moratorium applies equally to Preference dividends normally payable on May 31st and November 30th.

Current Year Prospects

Mr Badman reported last year that profits to May 1963 were running slightly ahead but was cautious about the final result. Normally the bulk of the profit emerges in the second half of the year while the flow of imports against licences following the total ban in 1962 was then 'a mere trickle'. The expected improvement in imports did materialize and reached satisfactory levels but too late to have much impact on last year's figures. Nevertheless, the absence of imports for so many months had the beneficial effect that stocks were run down considerably with improved margins and consequently reduced finance costs.

Mr Badman expects a further improvement in pre-tax profit but adds: 'I mention pre-tax profits advisedly as the Budget proposals of last year are not yet fully implemented, while the Budget for 1964 has yet to be introduced.' But it would be most imprudent to forecast further ahead as this year's quota for imports, on which 1964–65 trading will depend, will no doubt be cut even further to safeguard Ceylon's external assets.

The chief cause and extent of Ceylon's difficulties, he believes, are not generally realized. Against generally rising prices throughout the world which have increased the cost of Ceylon's imports, the price levels of tea and rubber have been falling steadily in recent years. He calculates from official returns that if tea prices had only maintained the 1957 level, Ceylon would have earned a further Rs410 million to the end of 1963 and that rubber, if maintained at 1961 prices, would have yielded a further Rs213 million, 'very substantial figures when compared with the Island's sterling balances'.

Widening Gap

These figures, says Mr Badman, indicate most forcefully the plight of the under-developed countries so heavily dependent on agricultural products and the widening of the gap between their living standards and ours, a feature which the Great Powers are seeking to remove, but, he feels, with little success so far.

Without increased foreign exchange earnings, Ceylon's programme for industrial development, Mr Badman points out, must be seriously curtailed.

WALKER, SONS & CO. LIMITED AND ITS SUBSIDIARY

TRANSPORT & GENERAL FINANCE COMPANY LIMITED

CONSOLIDATED BALANCE SHEET at 30th SEPTEMBER, 1963

Exchange has been taken at 1s. 6d. per Rupee

1962 £	1962 £		£	£
		CAPITAL AND RESERVES		
	750,000	AUTHORISED CAPITAL	750,000	
		ISSUED CAPITAL:—		
	143,920	6½% Preference Stock	143,920	
	450,000	Ordinary Stock	450,000	
593,920				593,920
		CAPITAL RESERVES:—		
	37,839	Share Premium Account	37,839	
	117,772	Other Capital Reserves (See Note 3)	121,697	
155,611				159,536
		REVENUE RESERVES:—		
	623,625	General Reserve	623,625	
	28,250	Income Tax Initial Allowances (see Note 4)	34,396	
	101,885	Profit and Loss Appropriation Account	103,996	
753,760				762,017
1,503,291				1,515,473
77,607		**FUTURE TAXATION**		107,259
		CURRENT LIABILITIES AND PROVISIONS		
	527,682	Trade and other Creditors and Accrued Charges	631,082	
	792,501	Bills Payable	727,927	
	409,301	Bank Overdrafts	434,248	
	160,530	Current Taxation, including Companies Tax	113,148	
	1,930	Preference Stock Dividend ..	1,930	
	5,512	Proposed Ordinary Stock Dividend	27,562	
1,897,456				1,935,897
£3,478,354				£3,558,629

Notes:—

(1) The Lease of Colombo Iron Works expired on 30th December, 1953—negotiations with the Government of Ceylon for a fresh Lease are still proceeding.

(2) There are commitments for Capital Expenditure not included above, estimated at £38,048 (*£39,113*).

(3) The Capital Reserves have been increased by £3,925 being return by the Liquidator of the Ceylon Wharfage Co. Ltd. in excess of the book value of the shares.

(4) U.K. Income Tax over-provided in previous years, amounting to £6,146, has been credited to Initial Allowance Reserve.

1962 £	1962 £	1962 £		Cost or Valuation £	Accumulated Depreciation £	£
			FIXED ASSETS			
			FREEHOLD LAND AND BUILDINGS:—			
221,753	*48,588*	*270,341*	At Valuation, 30th November, 1937, plus subsequent additions at cost	270,341	48,588	221,753
			LEASEHOLD PROPERTIES:—			
18,918	*82,083*	*101,001*	At Valuation, 30th November, 1937, plus subsequent additions at cost	101,001	83,313	17,688
			PLANT, FIXTURES, FITTINGS AND MOTOR VEHICLES			
205,213	*346,833*	*552,046*	At cost	563,414	377,041	186,373
445,884	*£477,504*	*£923,388*		£934,756	£508,942	425,814
			CURRENT ASSETS			
	1,620,866		Stock in Hand and Work in Progress as valued by the Local Board in Ceylon, and goods afloat ..		1,340,916	
	1,342,108		Trade Debtors and Payments in Advance ..		1,714,685	
			Investments at cost:—			
		54,351	Quoted (Market value, £53,694) ..	£54,351		
		2,569	Unquoted	750		
	56,920				55,101	
	12,576		Cash at Bank and in Hand		14,112	
3,032,470						3,132,815
£3,478,354						£3,558,629

WALKER, SONS & CO. LIMITED AND ITS SUBSIDIARY

TRANSPORT & GENERAL FINANCE COMPANY LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30th SEPTEMBER, 1963

1962 £	1962 £	1962 £		£	£	£
			Directors' Remuneration:—			
	3,158		Fees		3,431	
	1,467		Salary		1,500	
5,375	750		Pension		750	5,681
83,554			Profit for the year carried down			144,714
£88,929						£150,395
£	£ United Kingdom	£ Ceylon		£ Ceylon	£ United Kingdom	£
			Estimated Income Tax on Profits for the year:—			
	31,121	69,822	Income Tax	108,744	45,712	
	28,986	—	*Less:* Double Taxation Relief	—	43,366	
71,957	£2,135	£69,822		£108,744	£2,346	111,090
11,597			Balance of Profit carried to Appropriation Account			33,624
£83,554						£144,714

1962 £	1962 £		£	£
	118,878	Trading Profit of Holding Company and Subsidiary before crediting or charging the items enumerated	167,589	
83,251	35,627	*Less:* Amounts written off as Depreciation of Buildings and Plant	23,257	144,332
5,669		Interest and Dividends on Investments		6,051
9		Transfer Fees Received		12
£88,929				£150,395
£ 83,554		Profit for the year, brought down		£ 144,714
£83,554				£144,714

CONSOLIDATED APPROPRIATION ACCOUNT

1962 £	1962 £		£	£
		Dividends for the year to date, less tax:—		
	5,730	Preference Stock (6½%)	5,730	
		Ordinary Stock:—		
11,242	5,512	Proposed Dividend (10%)	27,562	33,292
		Balance carried to Balance Sheet:—		
	52,339	Applicable to the Holding Company	39,151	
101,885	49,546	Applicable to the Subsidiary Company	64,845	103,996
£113,127				£137,288

1962 £	1962 £		£	£
		Balance at 1st October, 1962:—		
	92,992	Applicable to the Holding Company	52,339	
	42,376	Applicable to the Subsidiary Company	49,546	
	135,368		101,885	
100,213	35,155	*Less: Provision for retrospective taxation and Companies Tax*	—	101,885
11,597		Balance of Profit and Loss Account brought down ..		33,624
1,317		Surplus on Sale of Fixed Assets		1,779
£113,127				£137,288

CITY NOTES

THERE has been little change in the condition of the stock-market this week. Neither the public opinion polls nor the politicians themselves have aroused any great degree of investment interest or activity.

Business in the equity sections of the market is largely a matter of small investor transactions and of the ever present operations of the unit trusts which are virtually committed to full investment.

The institutions have been inactive and seem likely to remain so this side of the General Election, having already made their election dispositions and showing no urge to change them.

Interest has centred mainly in the fresh rush of business in the new issue market, in which London has not played a particularly conspicuous part. Offers and placings on provincial stock exchanges currently form the greater part of new issue activity.

Most of the bigger new issue houses appear to have shut up shop until after October 15th. Provincial houses and provincial stockbrokers, however, still seem ready and willing to carry out operations on their local markets – and with a good degree of success as well, it may be noted.

It remains to be seen whether or not the stock-market as a whole will be brought more sharply into political focus in the next two weeks or so. There is time enough.

* * * *

THERE have been several mergers between Lloyd's insurance broking groups in the past few years and a number of broking firms have 'gone public', either individually or within the sphere of holding companies. As the result of discussions which began last April, there is now to be complete amalgamation between Staplegreen Insurance Holdings – one of the leading insurance broking holding groups – and Hogg, Robinson & Capel Cure. Staplegreen has a trade investment in Hogg, Robinson through the latter's preferred capital, but under the arranged scheme Staplegreen will offer to acquire effectively all the deferred ordinary capital as well.

* * * *

WITH North Sea oil and gas development licences allocated, there is prospect of considerable business building up for specialist companies supplying the necessary rigs and drilling equipment. Floating drilling barges and platforms are hardly articles to be bought 'off the shelf'. There is in fact a world shortage. Smith's Dock Company has already secured an order worth £2½ million for a mobile drilling platform, the company having made a special and timely study of the oil industry's requirements.

* * * *

THE industrial production index may have taken root and exports (for all the August figures) may present something of a mystery, but there is clear evidence of improving industrial order books. New orders placed with the machine tool industry in June totalled £11·7 million – a figure which shows a rise of 55 per cent on June last year, and is the best monthly figure for nearly three years. The Machine Tool Trades Association expects July figures to show up even better.

In another industrial sphere, building contractors received orders worth £725 million in the second quarter of this year – an increase of 8 per cent on the first quarter and of nearly 7 per cent on the record figure shown in the third quarter of last year.

RATES AND PRICES

Closing prices, Wednesday, September 23rd, 1964

Tax Reserve Certificates: interest rate 19.3.64 2¾%

Bank Rate

July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%

Treasury Bills

July 17	£4 11*s* 7·01*d*%	Aug. 21	£4 13*s* 0·98*d*%
July 24	£4 12*s* 11·95*d*%	Aug. 28	£4 13*s* 1·47*d*%
July 31	£4 13*s* 1·03*d*%	Sept. 4	£4 13*s* 1·26*d*%
Aug. 7	£4 13*s* 0·79*d*%	Sept. 11	£4 13*s* 0·57*d*%
Aug. 14	£4 13*s* 0·21*d*%	Sept. 18	£4 13*s* 0·70*d*%

Money Rates

Day to day	3⅜–4½%	*Bank Bills*	
7 days	3¼–4⅜%	2 months	4 13/16–4⅞%
Fine Trade Bills		3 months	4 13/16–4⅞%
3 months	5¾–6¼%	4 months	4 13/16–4⅞%
4 months	5¾–6¼%	6 months	4⅞–4 15/16%
6 months	6–7%		

Foreign Exchanges

New York	2·78⅜	Frankfurt	11·06⅔
Montreal	2·99⅜	Milan	1739¼
Amsterdam	10·03¾	Oslo	19·94½
Brussels	138·24½	Paris	13·64½
Copenhagen	19·27⅜	Zürich	12·02

Gilt edged

Consols 4%	64 11/16	Funding 3% 59–69	90 1/16
Consols 2½%	41⅜	Savings 3% 60–70	86⅝
Conversion 6% 1972	102 13/16	Savings 3% 65–75	77 15/16
Conversion 5¼% 1974	98 1/16	Savings 2½% 64–67	92 15/16
Conversion 5% 1971	97 7/16	Treas'ry 5½% 2008–12	90⅛
Conversion 3½% 1969	91 23/32	Treasury 5% 86–89	86½
Conversion 3½%	56⅝	Treasury 3½% 77–80	76 13/16
Funding 5½% 82–84	95¾	Treasury 3½% 79–81	75 9/16
Funding 4% 60–90	94	Treasury 2½%	40⅞
Funding 3½% 99–04	64 3/16	Victory 4%	98¼
Funding 3% 66–68	91	War Loan 3½%	57⅝

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

U.E.C. Congress in Vienna

SIR, – The opportunity to attend the U.E.C. Congress in Vienna seemed too good to miss – the subjects were appropriate to an accountant in industry and it would be useful to learn the attitude of professional accountants in and around the Common Market territories – the social activities also looked promising.

Receipt of the translated papers created some misgivings so I looked forward to hearing the contributions to be made at the Congress and in particular the reactions of the official representatives of the United Kingdom.

It must be said that the conclusions or recommendations of the U.E.C. Commissions, which were reiterated at the Congress, gave the impression of being almost totally unrelated to the aims and objects of accountants in the United Kingdom, whether they be in practice or in industry: one object seemed to be to have a set of rules designed to facilitate the extraction of statistics for the European Economic Community or Government departments in the Common Market territories.

It was, therefore, refreshing to hear Dr J. F. Dempsey (Ireland) talking about passenger-ton-miles and Mr W. E. Parker (England and Wales) stressing the paramount importance of the true and fair view in the presentation of accounts and the need to have some yardstick of proficiency in the accounting profession. This practical and ethical approach to accounting problems was further supported by Mr D. G. van Til (Netherlands) who, in perfect English, made it clear that in his country these matters were viewed in a similar, if not identical, manner.

Whether in practice or in industry, we are all endeavouring to present a true and fair view not only to our shareholders and the investing public but also to our managements.

To the accountant in industry the annual statutory balance sheet is not the end-product but only a by-product of his work and no amount of sub-classification would necessarily help to present a true and fair view.

The decimal system of accounting propounded at the Congress has apparently taken the Commission ten years to produce whereas more flexible decimal systems have been used in the United Kingdom for at least thirty years and probably for an even longer period in the U.S.A.

Little or no emphasis was placed upon the importance of the information to be given in the profit and loss account and the proposal to exclude financial cost information from the books (or at least from the decimal system) is surely again going back about thirty years.

In our group of companies, with diversified activities, it has been found quite practical to adopt a standard decimal system which incorporates all the major cost centres and yet maintains a substantial degree of flexibility. For example, if the whole numbers 90 to 99 are allocated to works expenses and accounts 90 and 91 are standardized as general works and works engineering expense, this leaves another eight numbers for direct works activities, each of which is capable of being broken down into nine sub-classifications and each one of these is capable of having 99 expense classifications attached to it. The main accounts can, of course, be used either for product or process analysis according to the type of business.

At the present time there appears to be a fundamental difference between the new and old members of the U.E.C. in their approach to accounting problems, and if the United Kingdom should ever enter the Common Market it would be most unfortunate if, at the same time, we had to accept the attitude towards accounting, or the rules and regulations, as proposed by the original members of the Congress. It is hoped that before the next Congress it will be possible for groups of accountants from all the countries to get together so that there could be a cross-fertilization of ideas and a general raising of standards.

It would be appropriate to conclude by congratulating the organizers of the Congress on the arrangements made for us in their beautiful city and hope that we may have the privilege of another conference in those surroundings.

Yours faithfully,

R. G. SUTTON, F.C.A.,
Director and Group Financial Controller,
SIMMS MOTOR & ELECTRONICS CORPORATION LTD.

London N2.

Distribution of Capital Profits

SIR, – In *The Sunday Times* of August 23rd it was reported that Rael Brook were giving their shareholders the choice of a dividend payable out of a capital profit realized on the sale of property, or a dividend of identical amount paid 'free of tax' out of normal revenue profits. Both in the report and in your comments thereon under Weekly Notes in *The Accountant* of August 29th, it was pointed out that there is nothing to prevent any company making a similar offer to its shareholders even if no capital profit has been realized.

During the course of my studies to date (I have

just passed the Intermediate examination), the following facts have been impressed upon me (and I quote from a well-known textbook on auditing):

'. . . . capital profits are not available for dividend unless

(1) the articles of association permit such distribution;

(2) the surplus is realized; and

(3) such surplus remains after a proper valuation of the whole of the assets has been fairly taken.'

Item 2 is obviously the point in question. The above general rules were apparently accepted as authority until 1960 (the date of my textbook). If there have been legal decisions subsequent to this date which make the above rules no longer valid I would be interested to hear of them.

Yours faithfully,
CHARLES H. PENNINGTON.

London N21.

[The City Editor of *The Sunday Times* stated that there is no legal bar to paying dividends out of unrealized capital profits, and this is true. In *Modern Company Law* by L. C. B. Gower, it is stated that some support for this proposition may be gleaned from *Ammonia Soda Company v. Chamberlain* (1918) and *Stapley v. Read Bros Ltd* (1924), but in both cases the written-up value of the assets was used to write off a loss made in previous years and not directly to pay a dividend. To write up fixed assets and thus to create a credit on profit and loss account out of which to pay a dividend would be regarded as sailing close to the wind and is not in practice resorted to. On the other hand, it is not uncommon to capitalize the result of the writing up by a bonus issue. This, of course, is unobjectionable from the point of view of creditors, although logically it is difficult to support the distinction, for the theory of bonus issues is that the bonus shares are paid out of profits available for distribution. – *Editor.*]

FOR STUDENTS

CASE VIII OF SCHEDULE D

FOR 1964–65 onwards rents will no longer be taxed under Schedule A and Case VI but will be assessed under the new Case VIII of Schedule D.

The rents to be included in the Case VIII computation are those to which the taxpayer *becomes entitled* in the year of assessment. In other words, if the due date of payment of rent falls within a certain year of assessment, the whole amount payable on that date will be brought into the computation for that year whether the rent is payable in advance or arrears. Thus there will be brought into a 1964–65 Case VIII computation a year's rent payable in advance on, say, March 25th, 1965, a quarter's rent payable in arrears on May 1st, 1964, etc.

The distinction between rents paid under short and long leases, respectively, will cease. As from April 6th, 1964, rents under long leases, e.g. ground-rents, are payable gross, not after deduction of income tax, and both short- and long-lease rents will be brought into the Case VIII computation. Other receipts from land, such as payments for sporting rights, will also be included. The chargeable part of a premium on a short lease (see *The Accountant*, February 22nd, 1964) will be brought in as additional rent.

The types of expenditure which may be deducted in a Case VIII computation are:

(1) payments in respect of maintenance, repairs, insurance or management;

(2) payments in respect of services which the landlord was obliged to provide but for which he received no separate consideration (e.g. cost of central heating);

(3) payments in respect of rates;

(4) payments of any rent, ground annual, feu-duty or other annual payment (e.g. ground-rent) in respect of the property.

The payments listed above which became due in the year of assessment or at an earlier time within the 'currency of the lease' (but after April 6th, 1964) may be deducted from the rent to which the landlord is entitled in the year of assessment.

Thus a very simple Case VIII computation for 1964–65 would be:

	£	£
Rent to which the landlord was entitled in the year to April 5th, 1965		500
Deduct: Maintenance expenditure 1964–65	80	
Ground-rent payable in 1964–65	30	
	—	110
Case VIII assessment		£390

In considering the expenditure to be deducted each lease must be regarded as a separate source of income. Furthermore, leases must be categorized under the following headings:

(1) Leases at a full rent (that is where the rent, taking one year with another, is sufficient to defray the cost to the landlord of fulfilling his obligations under the lease) *not* being tenants' repairing leases. (A tenant's repairing lease is one where the lessee is obliged to maintain and repair the whole or substantially the whole of the premises.)

(2) Leases at a full rent being tenants' repairing leases.

(3) Leases *not* at a full rent. It should be noted

particularly that 'full rent' does *not* mean the current open market letting value.

If one lease is followed by another of similar type the source is treated as having continued unbroken and this is so even if a void period comes between the two periods of letting; in other words, the 'currency of the lease' continues throughout. However, the source will be treated as broken if the owner occupies the property himself during a period when the property is unlet. Similarly if, say, a landlord's repairing lease is followed by a tenant's repairing lease, both at full rents, there will be two separate sources of income.

Illustration

X. bought a house on August 1st, 1964, from which date he insured the property at £12 per annum. He could not readily find a tenant for the house and decided to occupy it himself for the period from October 1st, 1964, to January 31st, 1965. He then succeeded in letting the house from March 1st, 1965, for an annual rent of £600 payable quarterly in advance. During the period before X. occupied the house a gale did considerable damage to the roof which cost £50 to repair, the insurance company paying all but the first £15. While in occupation himself X. carried out certain interior decorations at a cost of £30.

The Case VIII computation for 1964–65 is as follows:

	£	£
Rent receivable (March 1st, 1965) ..		150
Less: Insurance premium paid August 1st, 1964	12	
Less: applicable to period from August 1st, 1964, to March 1st, 1965. 7/12ths × £12	7	
	—	5
Case VIII assessment		£145

If X. had not occupied the property himself the assessment would have been calculated as follows:

	£	£
Rent as above		150
Less: Insurance Premium	12	
Roof repairs less insurance recovery (£50 – £35)..	15	
Interior decorations	30	
	—	57
Case VIII assessment		£93

The type of lease is of particular concern where a deficiency arises from expenditure being in excess of rent receivable.

Leases at full rents which are not tenants' repairing leases may be pooled so that a deficiency on one may be set against a surplus on another in the same or a later year of assessment, in that order.

Leases at full rents which are tenants' repairing leases may *not* be pooled. A deficiency on one may *not* be set against a surplus on another but a deficiency on any such rent may be set against a surplus on a lease at a full rent that is *not* a tenants' repairing lease, or, if there is no such income for the same year, may be carried forward against a future surplus in respect of the same tenant's repairing lease.

A deficiency on a lease not at a full rent can only be carried forward against a future surplus within the currency of the same lease, in the strictest sense, that is without extending the currency of the lease to include a void period.

Illustration

M. owns properties in respect of which the position for 1965–66 may be tabulated as follows:

House	*Rent*	*Responsible for repairs*	*Case VIII profit/loss* £	*Losses b/fwd.* £
1.	Full	Landlord	60 profit	5
2.	Reduced	Landlord	5 loss	10
3.	Full	Tenant	50 profit	Nil
4.	Full	Landlord	20 loss	6
5.	Reduced	Tenant	10 profit	Nil
6.	Full	Tenant	7 loss	Nil

The Case VIII assessment for 1965–66 and losses carried forward are as follows:

	£	£
Pooled houses:		
House 1 Profit		60
House 1 Loss brought forward	5	
House 4 Loss	20	
House 4 Loss brought forward	6	
	—	31
		29
Less: Loss on tenants' repairing lease House 6		7
Net income from pooled properties		22
House 3 Profit (Tenant's repairing lease)		50
House 5 Profit (Lease not at a full rent)		10
Case VIII assessment 1965–66		£82
Losses carried forward House 2 (£10+5)		£15

As regards the maintenance expenditure deductible in a Case VIII computation the decision in the *Law Shipping* case has been incorporated in the provisions of the Finance Act, 1963. This means that no deduction can be made where the disrepair accrued before the present landlord acquired the premises or before he ceased to occupy them himself.

Maintenance expenditure for the five years to April 5th, 1963, ranks for maintenance relief for 1963–64 under the old law and expenditure in 1964–65 may be deducted in a Case VIII computation. To relieve the hardship which would be caused by the expenditure during 1963–64 not ranking for relief there is a transitional provision by which a further deduction may be made in the 1964–65 Case VIII computation, calculated as follows:

	£	£
Total maintenance expenditure in five years ended April 5th, 1964		00
Less: Statutory repairs allowances 1959–60 to 1963–64 inclusive	00	
Maintenance relief 1959–60 to 1963–64 inclusive	00	
	—	00
Deductible under Case VIII 1964–65		£00

There are special provisions relating to property managed as one estate but these are seldom likely to be invoked as they involve unlet property (including owner-occupied property) and property not let at a full rent being treated as if it were let at full market value, in order to obtain relief on expenditure incurred on unlet as well as let property.

Although Case VIII assessments are to be on an actual year basis, *provisional* assessments are to be raised on the preceding year's figures and then amended when the actual rents and outgoings are known. This is to prevent any delay in the collection of tax.

London Students' Oxford Course

THE Chartered Accountant Students' Society of London held its eleventh Oxford residential course last week-end when 211 articled clerks, including seven girls, spent a profitable and enjoyable four days – from Thursday to Sunday – at Balliol and Trinity Colleges; they were joined by nine students from the Oxford Students' Society. The course was under the chairmanship of Mr W. K. Wells, B.A., F.C.A., and the President of the Students' Society, Mr Ernest F. G. Whinney, M.A., F.C.A., spent two days in college taking part in the discussions which are so important a feature of these courses.

Most students travelled to and from Oxford by the coaches arranged by the Society. They arrived by midday on Thursday and after settling into their own rooms in college there followed lunch and a preliminary meeting of each of the eighteen discussion groups. The first lecture was given by Mr Dudley W. Hooper, M.A., F.C.A., Chief Organizing Accountant of the National Coal Board and a past President of the British Computer Society. His subject was 'The future of computers in commercial accountancy', and the content of his talk was both informative and provocative. It led to a great deal of active discussion in the groups afterwards and many questions for the lecturer at the next meeting of the full course.

On the Thursday evening, at Guest-Night Dinner in Balliol College Hall, the Master of Balliol, Sir David Lindsay Keir, M.A., LL.B., A.R.I.B.A., was the principal guest. He replied to the thanks expressed by Mr Ernest Whinney for the hospitality of the College.

On Friday morning, Mr F. T. Hunter, F.C.A., F.C.W.A., addressed the course on 'Management consultancy', and his interesting and informative talk led to much useful discussion and questions.

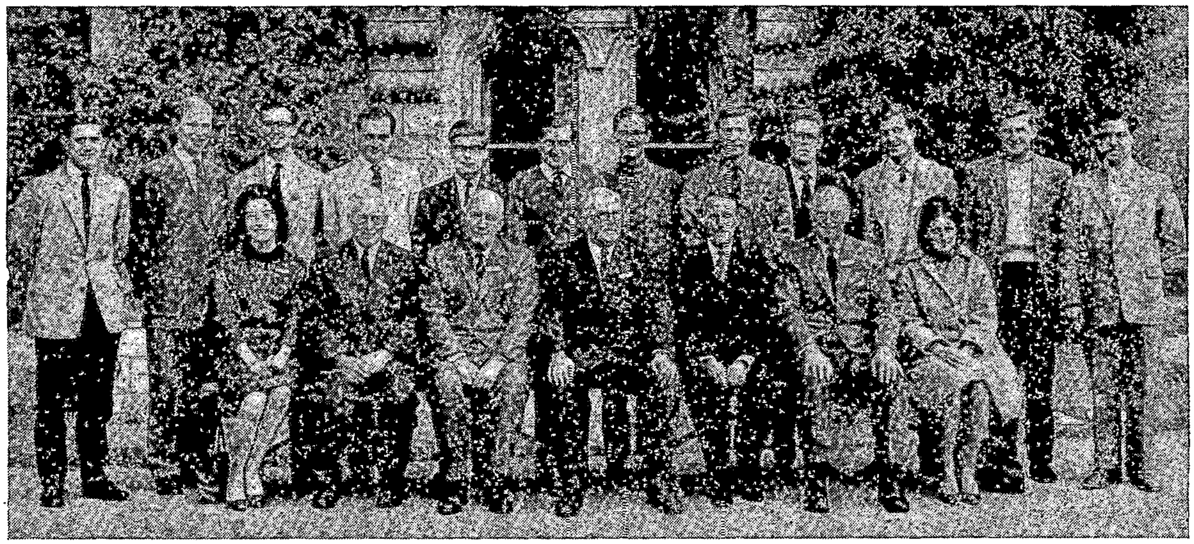
The future of the law was brought in for discussion by a most provocative talk on Friday afternoon by Mr A. J. Whiteside, M.A., LL.B., during which he propounded a series of unanswered problems arising from the present state of many points of law. The discussion groups spent prolonged and often heated periods on these difficult questions.

On Friday evening, Mr Whinney again presided at Guest-Night Dinner, this time in Trinity College, with the President of the College, Mr A. L. P. Norrington, M.A., as the principal guest.

The subject of the Saturday lecture was 'Resale price maintenance', and Mr Roy C. Smith, A.C.A., gave a masterly review of the scheme and the expected consequences of the Act with some vivid illustrations, mostly from the motor trade.

On Sunday, after divine service in Balliol College Chapel which the Dean of Balliol, Mr F. L. M. Willis-Bund, M.A., conducted, the course was addressed by Mr A. R. Ilersic, M.SC.(ECON.), B.COM., Reader in Economics in the University of London, who entered the controversial field of 'Liberalizing foreign trade'. His keen reasoning on the economic aspects disposed of some of the political and other mists that surround the subject but left plenty of room for argument in the discussion groups.

Members of the course returned to London on Sunday evening after an invaluable four days during which they not only had the opportunity of meeting other articled clerks but also were able to develop the facility of clear thinking and expression at the discussion group meetings.



AT THE OXFORD WEEK-END COURSE

Front Row (*left to right*): Miss M. F. Belcher (*Group Leader*); Messrs R. J. Carter, B.COM., F.C.A. (*Secretary*); W. K. Wells, B.A., F.C.A. (*Chairman of the Course*); E. F. G. Whinney, M.A., F.C.A. (*President*); F. T. Hunter, F.C.A., F.C.W.A. (*Lecturer*); Derek du Pré (*Deputy Secretary*); Miss A. Eastick (*Office*).

Back row (*left to right*): Messrs R. P. Barlow (*Group Leader*); T. G. Price (*Committee*); T. P. Burgess, A. W. R. Burton, J. H. Bancroft, J. O. V. Carlyle-Lyon, J. P. Brooks, C. D. Clark, V. M. Doel-Carter, D. S. R. Finning, M. A. Gore, P. W. H. Davies (*Group Leaders*).

Taxation Case

A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.

C.I.R. *v.* Parker; C.I.R. *v.* Tomlinson

In the High Court of Justice (Chancery Division) – July 28th, 1964

(Before Mr Justice UNGOED-THOMAS)

Income tax – Transaction in securities – For meeting future liability for estate duty – Capitalization of balance of profit and loss account – Applied in paying up non-charged debentures – Debentures redeemed after seven years – Whether debentures securities – Whether transaction in securities – Whether circumstances satisfied – Whether tax advantage obtained – Whether section directed to redemption or only to capitalization – Time of obtaining tax advantage – Finance Act, 1940, section 20 – Companies Act, 1948, section 455 (1) – Income Tax Act, 1952, sections 184, 186, 199, 245, 246 – Finance Act, 1960, sections 27, 28, 43.

The appellants were shareholders in a private company with an issued share capital of £35,002 in £1 ordinary shares. The appellants were concerned as to how liability for estate duty could be discharged on the death of any of them, and particularly on the death of one of them, and they wished to have liquid funds available for that purpose without interfering with the company's ability to carry on trading, and without involving a forced sale of shares in the company. On December 31st, 1952, there was a credit balance of £69,914 on the profit and loss account.

On May 18th, 1953, the company amended its articles of association to give it power to capitalize any part of the amount standing to the credit of a reserve account or to the profit and loss account, and to apply the same amount in paying up any issued shares or debentures. On the same day an ordinary resolution was passed that £35,002 out of the amount at the credit of the profit and loss account should be set free for distribution to the members; but that it should be applied in paying up debentures for securing the £35,002. Debentures were issued to the members on July 13th, 1953, in amounts equal to the par values of their shares. The debentures were redeemable at the company's option at par on six months' notice after seven years. They did not create any charge on the company's assets.

On July 14th, 1960, the company gave notice to the debenture-holders of its intention to redeem the debentures on January 14th, 1961. At that time the credit balance on the profit and loss account was £128,720. On January 14th, 1961, the debentures were redeemed and the redemption money was paid to the respondents. On August 18th, 1962, the appellants served notice on the respondents under section 28 of the Finance Act, 1960, that the tax advantage obtained by the transactions should be counteracted by surtax being computed on the basis that the sums received by them should be treated as net amounts of dividends.

It was contended for the respondents (1) that the debentures were not securities within section 28 because (i) they were not charged on the company's assets, (ii) they did not give any advantage over a mere debt, (iii) that they did not involve a creditor/debtor relationship, (iv) that they did not provide for the payment of interest; (2) that there had not been a transaction in securities, in that the redemption of the debentures did not relate to securities; (3) that there was no tax advantage within the section; (4) that as Chapter III of Part IX of the Income Tax Act, 1952, was directed to tax evasion through redemption, section 28 of the Finance Act, 1960, should be restricted to tax evasion through capitalization; (5) that the capitalization of the £35,002 did not yield a tax advantage. The Special Commissioners decided in favour of the respondents.

Held: (1) the debentures were securities within section 28 notwithstanding that they were not charged on the company's assets and that they had the characteristics stated at (i) to (iv) above, (2) that there had been two transactions in securities: (i) the capitalization of the £35,002 and the issue of the debentures in 1953, and (ii) the redemption of the debentures in 1961, (3) that a tax advantage had been obtained from the capitalization and issue plus the redemption of the debentures because any advantage obtained was not from the capitalization alone but from the redemption, (4) that section 28 applied both to a capitalization transaction and to a redemption transaction, (5) that the circumstances required by section 28 were satisfied, (6) that the appellants' directions be confirmed.

Notes and Notices

PROFESSIONAL NOTICES

Messrs K. C. Jackson, F.A.C.C.A., and A. V. Robson, F.A.C.C.A., practising under the style of G. M. Blakeston & Co, at 33–34 Exchange Street, Driffield, and 31 Market Place, Beverley, announce that from June 1st, 1964, they have admitted into partnership Messrs L. Merritt, F.A.C.C.A., E. C. Ludlam, A.A.C.C.A., G. G. Robson, A.C.A., A.A.C.C.A., and G. T. Mountain, A.S.A.A., all of whom have been associated with the firm for several years. The name of the firm has been changed to Jackson, Robson & Co from the same date.

Messrs Moore & Morell, Chartered Accountants, announce that as from September 29th, 1964, their address will be 30 Regent Street, Nottingham. The telephone number is unchanged at Nottingham 46695.

Messrs McClelland, Moores & Co (London and Liverpool) announce that Mr A. G. Biggart, C.A., has accepted an appointment in industry and will retire from the partnership on September 30th, 1964. Mr P. R. Edwards, C.A., will be assumed as a partner on October 1st, 1964.

Messrs Price Waterhouse & Co, Trinidad and Tobago, announce that they have opened an office in Barbados, the address of which is Barclays Bank D.C.O. Building, Broad Street, Bridgetown, Barbados.

Mr Kenneth G. Snowden, F.C.A., announces that he has taken into partnership Mr J. Allatt, A.A.C.C.A., who has been his assistant for several years. The practice will be carried on under the name of Kenneth G. Snowden, Allatt & Co, and as from September 30th, will move to new offices at The Modern Centre, Moor Lane, Preston.

Appointments

Mr Norman J. Murch, F.C.A., has been appointed secretary and accountant of Associated Motor Cycles Ltd.

Mr B. H. Phillips, A.A.C.C.A., has been appointed Assistant City Treasurer of Sheffield as from October 1st, 1964.

Mr A. F. T. Powell, A.A.C.C.A., formerly chief accountant of Cambridge Instrument Co Ltd, has been appointed secretary of the company.

Mr W. S. Risk, B.COM., C.A., F.C.W.A., has been appointed a director of Mayflower Carpets Ltd.

OBITUARY

B. O'D. Manning, C.B.E., D.L., J.P., F.C.A.

It is with regret that we record the death last Tuesday, at the age of 73, of Mr Brian O'Donoghue Manning, C.B.E., D.L., J.P., F.C.A., senior partner in the firm of Grundy, Cole & Co, Chartered Accountants, of London, Vice-Chairman of the Woolwich Equitable Building Society Ltd, and a Past-Chairman of the Metropolitan Association of Building Societies.

Educated at St Stephen's Green School, Dublin, and Dover College, Mr Manning was admitted to membership of The Institute of Chartered Accountants in England and Wales in 1920 after service in the First World War as a lieutenant in the Irish Guards.

He was a member of a number of departmental committees and was the joint author of *Receiver and Manager in Possession* (1935), *The Technique and Principles of Auditing* (1951), and the joint editor of *Simon's Income Tax*.

Mr Manning was appointed a Justice of the Peace of the County of London in 1934 and a Deputy Lieutenant in 1936. He received the C.B.E. in 1960.

DOUBLE TAXATION

United Kingdom and Malawi and Northern Rhodesia

Agreements between the United Kingdom and Malawi and Northern Rhodesia, which provide that the agreement with the former Federation of Rhodesia and Nyasaland for the avoidance of double taxation shall, with the necessary adaptations, continue in force in relation to Malawi and Northern Rhodesia, have now been published as Orders in Council numbered S.I. 1964 No. 1401 and S.I. 1964 No. 1402 respectively.

MANCHESTER CHARTERED ACCOUNTANTS STUDENTS' SOCIETY

Lecture Programme

A comprehensive lecture programme has been arranged for the 1964–65 session of The Manchester Chartered Accountants Students' Society. Meetings will commence at 6 p.m. at the Chamber of Commerce, Ship Canal House, King Street, Manchester 2, preceded by light refreshments at 5.30 p.m. at 46 Fountain Street, Manchester 2. The programme up to the year-end is as follows:

October 1st: 'Receiverships', by Mr R. Jones, F.C.A.

October 8th: 'The interpretation of balance sheets for banking purposes', by Mr C. R. Curtis, M.SC.(ECON.), PH.D., F.C.I.S.

October 15th: 'The Town and Country Planning Act', by Mr J. J. Clarke, M.A., F.S.S., L.M.T.P.I. (Barrister-at-law).

October 22nd: 'Network analysis (lecture and film)', by Mr D. Phillips, B.SC.(ENG.), A.M.I.C.E., A.M.I.MECH.E. (Supervising consultant, Associated Industrial Consultants Ltd.)

October 29th: 'Tax planning', by Mr F. A. Sherring, F.C.A.

November 5th: 'Local government finance', by Mr A. Rothwell (Assistant Treasurer, Manchester Corporation).

November 12th: 'Share valuation in a controlled company', by Mr P. Vernon, O.B.E. (Chief examiner, Estate Duty Office).

November 19th: 'Commercial fraud', by Detective Chief Inspector J. Shaw (Manchester City Police, Criminal Investigation Department).

November 26th: 'Enforcing the Bankruptcy Act', by Mr J. Tye (Official Receiver in Bankruptcy).

December 3rd, 10th and 17th: 'Machine accounting', by Mr B. R. Milner, A.C.A. (Systems analyst, National Cash Register Co Ltd).

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LEEDS

The autumn programme of The Chartered Accountant Students' Society of Leeds opened last Wednesday, when addresses were given on 'Standard costing' and 'Budgetary control and management accounting', followed by a dinner. Other lecture subjects and activities arranged by the Society for 1964 are as follows:

September 30th. 4.30 p.m. 'Auditing'.
6 p.m. 'Taxation: foreign income, domicile, etc.'

October 14th. 4.30 p.m. 'Foundation of the British legal system'.
6 p.m. 'Law of trusts'.

October 23rd. 4 p.m. Tea with the President of the Institute at The Griffin Hotel.

November 3rd. 6 p.m. Debate with Law Students at the Law Institute, Albion Place.

November 4th. 4.30 p.m. 'Mechanized accounting'.
6 p.m. 'Computers and the accountant'.
7.15 p.m. Dinner.

November 11th. 9.30 a.m. Whole-day course: Lectures on 'Design and criticism of accounts' and 'Amalgamations and reconstructions'.

November 18th. 6 p.m. 'Brains Trust' at the Metropole Hotel.

November 27th. Annual dance.

December 5th. York Branch: Annual dinner and dance.

December 9th. 5.30 p.m. First-year students' meeting.
6.30 p.m. Pot-pie supper.

All the above meetings (unless otherwise stated) will be held at the Leeds and County Conservative Club, South Parade, Leeds 1. Further information regarding the activities of the Society may be obtained from the honorary secretary, Mr E. J. Longman, 'Westwood', Weetwood Park Drive, Leeds 16.

THE INSTITUTE OF INTERNAL AUDITORS

Glasgow Chapter

The Glasgow Chapter of The Institute of Internal Auditors opened its 1964–65 programme last Thursday with its annual dinner when members were addressed by Mr George Middleton, C.B.E., chairman of the Scottish Board for Industry, and former secretary of the Scottish Trades Union Congress, on 'The Government and trade unions'.

The remainder of the programme is as follows:

October 15th. Visit to Glasgow Police Crime Museum.

November 19th. Visit to *Glasgow Herald* and *Evening Times* offices, Glasgow.

December 17th. 'Audit clinic': Questions and answers by Chapter members.

1965

January 21st. 'Hire-purchase finance, asset leasing and block discounting', by Mr W. D. Couper, C.A., Development executive (Scotland), and Mr G. P. Mearns, Glasgow branch manager, both of Lloyds & Scottish Finance Ltd.

February 18th. Visit to Glasgow University computer laboratory.

March 18th. 'Retail store accounting', by Mr A. S. Robertson, accountant, Wylie & Lochhead Ltd.

April 15th. 'The scope of my job', by Mr A. M. Ferguson, C.A., Chapter President, and manager, audit and procedures, Caterpillar Tractor Co Ltd.

May 20th. Annual business meeting.

All the above meetings will commence at 7 p.m. and will take place (except where otherwise stated) at the Kenilworth Hotel, 5 Queen Street, Glasgow C1. The Glasgow Chapter, which was founded in 1958, provides facilities for discussion and the interchange of ideas among those engaged in internal auditing. Inquiries regarding membership of the Chapter should be addressed to the honorary secretary, Mr M. J. MacIver, F.C.C.S., Secretary, Arch. Campbell, Hope & King Ltd, 103 Bath Street, Glasgow C2.

OFFICIAL RECEIVER APPOINTMENTS

The Board of Trade have announced the following Official Receiver appointments:

Mr James Ernest Friend has been appointed Official Receiver for the County Courts of Kingston upon Hull and Great Grimsby with effect from August 24th, 1964, and also for the Bankruptcy District of the County Courts of York and Scarborough with effect from September 1st, 1964, and that the appointment of Mr James Ernest Friend as an Assistant Official Receiver for the Bankruptcy District of the County Courts of Birmingham, Coventry, Dudley, Hereford, Kidderminster, Leominster, Stourbridge, Walsall, Warwick, West Bromwich, Wolverhampton and Worcester has been revoked with effect from August 24th, 1964.

The appointment of Mr Keith Alexander Miller as Official Receiver for the Bankruptcy District of the County Courts of Kingston upon Hull and Great Grimsby has been revoked with effect from August 24th, 1964.

The appointment of Mr Norman Saddler as Official Receiver for the Bankruptcy District of the County Court of York has been revoked with effect from September 1st, 1964.

The appointment of Mr William Armstrong as Official Receiver for the Bankruptcy District of the County Court of Scarborough has been revoked with effect from September 1st, 1964.

Mr Bernard Coultas Wade has been appointed an Assistant Official Receiver for the Bankruptcy District of the County Courts of York and Scarborough, and the appointment of Mr Bernard Coultas Wade as an Assistant Official Receiver for the Bankruptcy District of the County Courts of Sheffield, Barnsley and Chesterfield has been revoked, with effect from September 1st, 1964.

The appointments of Mr Douglas Raymond Le Merle and Mr Elmslie Arthur Perkins as Assistant Official Receivers for the Bankruptcy District of the County Courts of Kingston upon Hull and Great Grimsby have been revoked with effect from August 24th, 1964.

The appointment of Mr Harry Roach as an Assistant Official Receiver for the Bankruptcy District of the County Court of York has been revoked with effect from September 1st, 1964.

The appointment of Mr Francis Durkin as an Assistant Official Receiver for the Bankruptcy District of the County Court of Scarborough has been revoked with effect from September 1st, 1964.

The above changes are consequential upon the division of the Sheffield/Hull office into two separate offices and the opening of a new sub-office to Hull at York.

COFFEE POT CLUB

Young professional people may be interested to have their attention drawn to the facilities provided by the London Coffee Pot Club.

Membership of the club, which is open to men and women up to the age of 30, offers by way of regular Monday meetings a congenial atmosphere and an opportunity to mix with contemporaries in other spheres. In addition, the club provides a full programme of recreational and social activities. There are Coffee Pot clubs in a number of large towns throughout the United Kingdom which offer similar facilities at reasonable cost. The annual subscription of the London Coffee Pot Club (which is subsidized in part by the Y.M.C.A.) is £2 5s. Further particulars of the club are obtainable from the membership secretary, 108 Baker Street, London W1.

CORRECTION

In the leading article 'Bloodhound in Retrospect' in the August 8th issue, the figures in the sentence 'direct labour costs . . . came to only £1,305,000 (the estimate was £574,000)' were inadvertently transposed. The precise costs were in fact £573,414 and the estimate £1,305,275.

As the differences of function of the Civil Servants referred to in the article were not, perhaps, fully brought out, we would mention that estimates for Ministry of Aviation contracts are made by members of the Engineering Class and the Technical Class. Accountancy investigations aimed at establishing the relationship between a contractor's direct labour cost and his overhead costs are carried out by the Accountants Class. Both types of information are passed as advice to the Executive Class who actually negotiate.

New Legislation

The date indicates when an Act received the Royal Assent

STATUTES

Chapter 62: Appropriation Act, 1964

An Act to apply a sum out of the consolidated fund to the service of the year ending on March 31st 1965, and to appropriate the supplies granted in this session of Parliament.

Price 3s net. *July 31st, 1964.*

Chapter 63: Law of Property (Joint Tenants) Act, 1964

An Act to amend the law with respect to land vested in joint tenants.

Price 3d net. *July 31st, 1964.*

Chapter 64: Drugs (Prevention of Misuse) Act, 1964

An Act to penalize the possession, and restrict the importation, of drugs of certain kinds.

Price 1s net. *July 31st, 1964.*

Chapter 65: Zambia Independence Act, 1964

An Act to make provision for, and in connection with, the establishment of Northern Rhodesia, under the name of Zambia, as an independent republic within the Commonwealth.

Price 1s net. *July 31st, 1964.*

Chapter 66: Young Persons (Employment) Act, 1964

An Act to extend the kinds of occupations in the case of which the hours of employment of young persons employed therein are regulated by the Young Persons (Employment) Act, 1938, and to increase the penalty for an offence against section 1 of that Act.

Price 3d net. *July 31st, 1964.*

Chapter 67: Local Government (Development and Finance) (Scotland) Act, 1964

An Act to enable local authorities in Scotland to develop, and assist in the development of, land and to make provision for the disposal of litter and the advertising of amenities; to empower such authorities to set up certain capital funds and renewal and repair funds, to borrow by means of bonds and to allow discount for early payment of rates; and for purposes connected with the matters aforesaid.

Price 1s 3d net. *July 31st, 1964.*

Chapter 68: New Towns (No. 2) Act, 1964

An Act to provide that orders designating new town areas or extensions thereof shall be subject to annulment by either House of Parliament.

Price 3d net. *July 31st, 1964.*

Chapter 69: Scrap Metal Dealers Act, 1964

An Act to amend the law relating to dealers in scrap metal and similar goods, and to dealers in marine stores, and for purposes connected therewith.

Price 1s 3d net. *July 31st, 1964.*

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE
ACCOUNTANT

ESTABLISHED 1874

OCTOBER 3RD, 1964 VOL. CLI. NO. 4685

Expenditure Trends

IN this election month the longer-term trends of national income and expenditure are of more than usual interest. It is proposed, therefore, in dealing with the 1964 Blue Book published on Wednesday,[1] to concentrate on three aspects – long-term changes in public expenditure, long-term trends in gross national product and the standard of living, and the extent to which the economy of Britain is becoming more like that of the United States.

Public expenditure is analysed in great detail. By public expenditure is meant the total expenditure of the central Government and local authorities, with no double counting and with interest on debt being excluded, together with capital investment by the nationalized industries. Using this definition, public expenditure in 1963 amounted to £10,416 million, or almost 40 per cent of gross national product at factor cost of £26,536 million. Ten years earlier, the proportion was almost identical, but the individual figures were very different, viz. public expenditure, £5,900 million, gross national product, £15,000 million. However, this apparent similitude conceals a fall which took place in the fifties, followed by a rise to the present proportion.

One of the main elements in the rise of the last few years has been the increase in expenditure on education. In 1963 this represented about 5 per cent of gross national product, which is high by international standards. A decade earlier, the proportion was just over 3 per cent of a smaller gross national product. Expenditure on the National Health Services, at £1,000 million in 1963, was some 4 per cent of gross national product. The 1953 proportion was just above 3 per cent. Expenditure on roads has grown in a spectacular fashion – from £112 million in 1953 to £344 million last year. So has expenditure on transport, from £186 million to £465 million. However, not all of this increase can be regarded as creditable. A large element in the 1963 figure is the subsidy paid by the Government to cover the deficit on transport services. This was £7 million in 1953 and £137 million in 1963; it had been higher in the early sixties.

The total spent on the social services, broadly conceived, rose from £1,990 million in 1953 to £4,486 million in 1963. As part of its modernization plan, the Government can claim to have increased its expenditure on civil research from £22 million to £131 million. Defence is taking a smaller proportion of gross national product than in 1953. The £1,919 million spent in 1963 represents about $7\frac{1}{4}$ per cent of gross national product compared

[1] *National Income and Expenditure, 1964.* H.M.S.O. Price 6s net.

with the 11 per cent ratio in 1953, or nearly £1,650 million in absolute terms.

What can we learn from the Blue Book about growth in living standards? Quite a lot. In the first place consumers' expenditure at constant prices increased by 40 per cent between 1952 and 1963. At the same time, personal savings grew quite substantially, and so the amount which consumers had available for spending grew by over 40 per cent. This rate of growth as one measure of living standards (and possibly the best measure) is not far short of what is necessary to 'double living standards in twenty-five years'. Added to this, there is the increment of better living which has been derived from higher spending on education and the social services generally. However, it is only fair to say that gross national product has not increased quite so fast as consumers' expenditure. Here, the rate of growth has been 36 per cent in twelve years. By spending less, relatively, on defence and reducing taxation, the Government has, in effect, been putting more spending power in the hands of the public.

Figures of average wages and salaries are also illuminating. These relate to wages and salaries paid in the manufacturing industry sector of the economy. In this sector, the number of wage earners employed was very much the same in 1963 as in 1953, but the average wages paid rose from £380 to £660. The number of salary-earners in industry rose by one-third in the decade in question – quite a sizeable increase in the number of white-collar workers. Average salaries rose from nearly £600 to just over £1,000. Incidentally, the increase in average salaries paid amounted to about 70 per cent, compared with the 72 per cent increase implied in average wages. These kinds of rates of increase did not differ greatly between the first and second five years.

A useful way of comparing the British and American economies is to look at the various sources of gross national product and then see how this product is divided amongst the main claimants to it. Of course, everything in the United States is on a far grander scale absolutely, and much larger scale relatively. In 1963, the gross national product of the United States (at factor cost) was about $525,000 million, but the population at 190 million is over three and a half times that of Britain. And, of course, since many United States prices are higher than their British counterparts, one cannot use the rate of exchange $2·80 to the £1 to convert United States gross national product to £s sterling – a more realistic purchasing power parity could be between $3½ to $4 to the £1.

Perhaps the most surprising feature of the sources of gross national product is the relatively small proportion which comes from manufacturing industry – about three-eighths in Britain and three-tenths in the United States. Agriculture and mining contribute, together, about 6½ per cent in Britain and about 6 per cent in the U.S.A. Construction is relatively more important in Britain than in the U.S.A. – 6½ per cent to 6 per cent. Distribution has a much more important place in the U.S.A. than it has here, the relative proportions being about 16 per cent and 12 per cent. Services generally are more important in the American economy than they are here. If one includes public administration and defence, along with finance, insurance, ownership of property, entertainment and miscellaneous and personal services, it is seen that nearly three-eighths of United States income comes from these sources compared with just over three-tenths in Britain. Services in the U.S.A. are relatively as important as manufacturing industry is in Britain. In general, the higher the standard of living of a country, the greater the proportion of it which is derived from services of all kinds. Over the past few years, the British economy has come nearer the American type in that services have become relatively more important. But so they have in the U.S.A. However, compared with other European countries, Britain's service industries are at a high level.

In both the United States and Britain about 63 per cent of gross national product goes to consumers' expenditure, about 19 per cent to capital investment and stocks, and the remainder to public current expenditure.

Incomes Policy Reviewed

SO frequently has the statement been made that an incomes policy is essential for the maintenance of continuous economic expansion without inflation in the United Kingdom, that it has come to be accepted as a self-evident truth. A new Hobart Paper[1] entitled *Policy for Incomes*, by Professor F. W. PAISH and Mr JOSSLEYN HENNESSY, looks at the matter somewhat differently, and arrives at the conclusion that any such policy would be both ineffective and self-defeating.

Professor PAISH develops his well-known thesis that the basic cause of the persistent inflation in the United Kingdom is the excessive pressure upon resources. If the level of unemployment falls below an optimum, in his view between 2 and 2¼ per cent of the insured working population, then it becomes impossible to keep wages stable since employers, quite apart from anything that organized labour may do, would tend to bid higher for the limited supply of available labour. If, on the other hand, the level of unemployment should rise above Professor PAISH's optimum level, an 'incomes policy' becomes unnecessary, since the demand for labour will be commensurate with the available supply and the current level of incomes.

The necessary adjunct of wage regulation, i.e. control of profits and/or prices, is regarded by Professor PAISH as impracticable and even undesirable for, in his view, 'no system could be better designed to slow down growth than one which keeps the inefficient alive, prevents the efficient from expanding, and reduces for everyone the incentive to keep down costs'.

While this thesis merits considerable attention and seems to have been borne out in practice, its basic weakness lies in the fact that it is appropriate only to a highly competitive economy in which economic resources are completely mobile. Experience during the SELWYN LLOYD pay-pause period, which was accompanied by a prolonged credit squeeze, demonstrated the sad truth that far from labour mobility being increased, both labour and employers agreed to adopt restrictive practices which were contrary to the short-run interests of the economy and the longer-run interests of both the affected industry and its employees. In other words, instead of encouraging the movement of labour from industries with the highest costs and lowest profits into those with high profits and low costs, employers tended, in the hope of an early resumption of the boom, to hold on to their existing labour force. Furthermore, this practice was facilitated by organized labour's willingness to share the available work, with the resultant increase in unit production costs for the employer, as well as lower productivity. Nor is labour mobility encouraged by the trades unions' reactions to Government plans for re-training centres for displaced labour.

It is by now common knowledge that Britain is not alone in needing to restrain the inflationary forces due to wage drift and rising costs, and in the second part of the Hobart Paper, Mr JOSSLEYN HENNESSY reviews the efforts made in three European countries to regulate incomes. He points out that only Holland has attempted a systematic incomes policy and this has been altered almost out of recognition since it was first introduced under a Socialist Government in 1946. In Sweden, much greater co-operation between the employers' and trade union organizations, has led to enhanced labour mobility. Nevertheless, Sweden has had to make a vigorous use of alternate expansionary and restrictive monetary and fiscal policies to regulate the economy. In spite of these, inflation at a steady 3 per cent per annum has continued. The Danish efforts at restraint of incomes have proved the least successful, for that country has suffered both from excessive wage increases and high unemployment.

As long as the existing restrictions on labour mobility and price competition persist in the United Kingdom expansionist policies will inevitably lead to cost inflation and balance of payments difficulties. The need now must be to achieve, through the medium of the National Economic Development Council, a package deal between the Government, employers and labour, whereby in exchange for accepting more competitive conditions in the economy, a more mobile labour force can be given greater social security and better prospects of a rising standard of living.

[1] No. 29. Institute of Economic Affairs Price 6s net.

ACCOUNTANTS IN INDUSTRY – I

The Accountant in the National Coal Board

by A. W. JOHN, O.B.E., F.C.A.
Member of the National Coal Board

THE National Coal Board is, according to a recent review, the third largest industrial concern outside the United States and even by American standards can be considered a giant, ranking above such firms as Du Pont, Chrysler, Standard Oil of California and Bethlehem Steel. The Board employs about five hundred and fifty thousand industrial workers, has an annual turnover of £900 million and net assets of nearly £900 million. The Board's operating activities include about five hundred and seventy-five collieries, fifteen coke ovens, sixty brickworks, one hundred and thirty thousand houses and extensive farms and estates. Amongst lesser activities, it has about thirty central workshops and a canteen organization with a turnover of £7 million per annum.

The activities of the Board are grouped into eight colliery divisions and three specialized executives dealing with opencast coal, coal products and brickworks, respectively. The colliery divisions are each controlled by a divisional board with a chairman and deputy chairman and five or six functional directors. Each division is subdivided into a varying number of areas each controlled by an area general manager.

In all there are forty areas and, on average, each area has an annual turnover in excess of £20 million and employs about fourteen thousand men. Each area is therefore larger than many well-known industrial and commercial companies operating in Great Britain. The executives are organized rather similarly but their local organizations are much smaller and they depend upon the colliery divisions and areas for many common services. They are not discussed further in this article.

Organization of Finance Work

The Board Member for Finance is charged with responsibility for general oversight of the work of the Finance Department. The department is headed by the Director-General of Finance who is responsible to the Board for advice on the framing of financial and accounting policies and for their execution.

The work of the department is divided into five branches:

General Finance Capital Expenditure Management Accounting	Under the Deputy Director-General
Financial Accounting Integrated Data Processing	Under the Treasurer

Internal audit is attached to the Headquarters, Finance Department, and the Chief Internal Auditor deals direct with the Director-General of Finance.

The General Finance and Capital Expenditure branches tend to deal with the financial aspects of transactions before they are entered into. Management Accounting includes the preparation of budgets as well as continual review of performance. Financial Accounting and Integrated Data Processing are self-explanatory.

Divisional Finance Departments

At divisional headquarters the finance work is organized similarly under a divisional finance director who is a member of the divisional board. The divisional boards are collectively responsible to the national board for the finances of the industry within their coalfield but close contact is maintained between the divisional finance director and the Director-General of Finance. The divisional finance director is assisted by two senior officials, one responsible for finance and the other for accounting.

Divisional Organizing Accountants

In most divisions there is a divisional organizing accountant who assists divisional and area chief accountants by:

(a) appraising, stimulating, devising and where necessary installing new methods and techniques of recording and accounting;

(*b*) proposing changes in organization where these will more effectively fulfil the duties and tasks of the department.

Divisional Computer Accountants

The Board is well on the road to establishing seven divisional computer centres which will process data leading to fully integrated accounting and statistics. Each computer centre is in the charge of a divisional computer accountant with three principal assistants respectively in charge of systems planning, processing and control.

The divisional computer accountant is responsible to the divisional chief accountant for the manner in which his work is done but he has a special responsibility to each area chief accountant for the work which he processes on his behalf. The computer centres are established in Edinburgh, Newcastle, Doncaster, Leigh (Lancashire), Mansfield (Nottinghamshire), Cannock and Ystrad Mynach (Glamorgan). Each centre has been purpose-built and will ultimately employ between two and three hundred staff.

Area Finance Departments

In each area there is an area chief accountant under whom are main branches dealing with costing and financial accounting.

The Area Chief Accountant

The area chief accountant is an important member of the area management team led by the area general manager. He advises the area general manager on all financial matters in the area in addition to providing the usual financial services. He has a special responsibility for preparing financial forecasts, for early recognition of deviations from forecasts, for drawing attention to these deviations and for a keen management interpretation of operating results. In fact, he is in the fullest sense of the term a management accountant with a real constructive job. He is also responsible, amongst many other duties, for the critical financial appraisal of proposed capital expenditure projects arising in the area.

Senior Staff Assisting Area Chief Accountants

The costing staff in the area carry out the detailed management accounting work. Because of the considerable changes that can take place in mining in a short time, control of colliery operations is based on short-period operating forecasts. These forecasts are the basis of local accountability and the costing staff are continually involved in application of the system of budgetary control, in cost investigations and in constructive work designed to improve efficiency.

The financial accounting work in the area is the responsibility of the area financial accountant and culminates in the preparation of the annual accounts of the Board and other long-term financial statements, including cash forecasts. The area financial accountant is particularly responsible for satisfying himself that there is in operation an effective system of internal check.

In most areas there is also a capital expenditure accountant who deals with the financial aspect of capital expenditure. The recording of capital expenditure is only one element of his task. The others include close and continuous collaboration with the production department on the financial aspects of capital projects, including appraisal of alternative possibilities and estimates of profitability, financial aspects of contracts and completion reports.

Internal Audit

Internal audit is organized as a national service, attached to the finance department and designed to check the effectiveness of the system of financial control and the safeguarding of the Board's assets. The Chief Internal Auditor is responsible for:

(*a*) supervising, co-ordinating and developing internal audit throughout the Board;

(*b*) laying down minimum audit programmes and procedures;

(*c*) satisfying himself that the Board's financial accounts give a true statement of the Board's activities, interests and financial position;

(*d*) collaborating with the external auditors so that they may have regard to the extent of the internal audit in planning their own work;

(*e*) verifying the proper authorization of expenditure and the adequacy of systems of accountability for income;

(*f*) undertaking special investigations as required.

Divisional chief internal auditors are responsible to the Chief Internal Auditor but are attached to, and normally report to, divisional finance directors. Area internal auditors are responsible to divisional chief internal auditors but are

attached to, and normally report to, area general managers. There is thus a direct line of responsibility and communication from area through division to headquarters.

The internal audit branch is run on the lines of a professional office. It is therefore a 'half-way house' between the profession and the industrial accountant and is in close and continual contact with the Board's external auditors who are appointed by the Minister of Power.

Training

It is the policy of the Board to encourage members of the Finance Department who are not already qualified to study for membership of a recognized professional body. A senior member of the staff is assigned to guide the work and watch the progress of students. Suitable staff are encouraged to see every aspect of the department's work and are moved through the different sections of the department and given an opportunity to work at colliery, area and divisional level if possible. Similar opportunities are afforded to young qualified accountants joining the Board.

Salaries

Like most large organizations, it has been necessary for the Board to establish a pattern of salaries for its financial staff. The following sets out the maximum salaries of various posts. Minimum salaries are about three-quarters of the maxima quoted.

Nearly all area chief accountants enjoy a salary up to £2,950 per annum and in certain cases a maximum of £3,200 applies. The area cost and financial accountants enjoy salaries up to £2,000 per annum. The area internal auditor and capital expenditure accountant can also enjoy salaries up to £2,000 per annum.

The two senior divisional appointments carry salaries in excess of those of area chief accountants. The divisional chief finance officer and the divisional chief accountant, each directly responsible to the Finance Director for his own field, enjoy salaries up to £3,750 per annum and their principal assistants, salaries up to £2,350 per annum.

The divisional computer accountants in charge of the seven divisional computer centres enjoy salaries up to £2,950 per annum, and the chief systems planners, heads of processing and heads of control up to £2,350 per annum.

In Headquarters Finance Department in London there are fourteen posts with maximum salaries in excess of £3,200 per annum and there are a further twenty-seven posts with maximum salaries of £2,000 per annum or more.

In addition to cash salaries, staff enjoy the benefits of an excellent superannuation scheme, giving pensions up to half salary and a lump sum up to one and a half years' salary, both determined by length of service, as well as providing for widows and children and for early forced retirement; coal at concessionary prices, outside London and in limited quantities; and generous payment during sickness.

Other Higher Management Posts held by Qualified Accountants

The opportunities for advancement for accountants in the Board are not restricted to the Finance Department and amongst former members of the department are a divisional chairman, a divisional deputy chairman, two directors-general, one deputy director-general, one area general manager, seven assistant area general managers, one divisional secretary and two divisional purchasing and stores controllers.

Current Opportunities

Whilst every opportunity is given to staff within the Board, the Board offers appointments from time to time to young qualified accountants without previous industrial experience. Recent appointments have been made initially as assistants either to a divisional finance director or to an assistant director-general in London or in the internal audit branch. For the first twelve months the work is planned to enable the men appointed to acquire a sound working knowledge of the industry with particular emphasis on costing and financial controls and procedures.

An organization as large and important as the Board must bring into its organization, through careful selection, qualified accountants who have been trained in the offices of practising accountants with a wide and varied practice and who, desirably, have had at least two years' professional experience since qualifying. This is, and will remain, an important field of recruitment for the Board's top posts and an avenue through which qualified accountants with a sense of public service can join in the vital work of the National Coal Board in developing, producing and supplying efficiently and economically the most important indigenous raw material which this country possesses.

THE ACCOUNTING WORLD

Company Law Revision in Nigeria

by J. A. H. LAURENCE, F.C.I.S., A.M.B.I.M.

'THE number of companies incorporated in Nigeria is increasing steadily. . . .' So began an article on Nigerian company law published in *The Accountant* some five years ago. Perhaps what is more significant than the mere increase in the number of companies incorporated is the type of company being formed.

Four Types of Company

In the past there were four main types of company; first, small trading companies such as importers and wholesalers and indigenous small businesses that had aspired to limited liability status; secondly, the small number of engineering and manufacturing companies – the real industry of the country; thirdly, rubber, timber and other produce companies, so important to the national economy in what must for many years be primarily an agricultural one; and fourthly, the large overseas companies. These last were usually registered under Nigerian law as overseas companies. Recently there has been an increasing tendency to incorporate Nigerian companies to operate the former branches, the reasons being mainly political.

All these classes of company still flourish but the second group, often with overseas financial support or as parts of international groups, has expanded very considerably. It is this class of company with which future legislation will be increasingly concerned because they form an ever more important part of the country's industrial and commercial development. It is interesting to note that a Company Law Revision Commission was appointed in 1962.

There is, at least in name, a not inconsiderable number of public companies, but almost without exception they are controlled by a few overseas companies and the balance of the seven shareholders required by law are nominees. Even in the few cases where there is a substantial number of shareholders, the controlling interest usually rests with a few main shareholders. There is, therefore, little scope for take-over bids or other financial manœuvres unless directed by the controlling overseas shareholders, and consequently little need for sophisticated legal provisions to cope with contingencies that are unlikely to arise for at least the next decade or so and possibly for very much longer. What is required is simple, straightforward legislation capable of being understood and complied with, not only by the more affluent companies, but also by the increasing number of small Nigerian-owned businesses as they become limited liability companies.

The existing Companies Registry already has a substantial backlog of work and any increase in its responsibilities would necessitate a major reorganization, including the recruitment of a substantial number of professional staff and the training to higher standards of existing staff. This would take several years to accomplish and to introduce any more involved legislation in anticipation of the effective means of implementing it, would make a farce of the legal protection that should exist for shareholders and those having dealings with limited liability companies.

Desirable Reforms

The most that should be attempted at this stage would seem to be the remedying of certain anomalies and the introduction of more effective rules regarding accounts and audit. No doubt it would be desirable to look into other matters, such as the almost universal practice of not holding proper board and general meetings, and of directors being 'instructed' by 'principals' in their conduct of the company's business. But these are problems (not confined to Nigeria) that will be cured only when each company has its own full-time secretary to ensure that the requirements of law are properly observed.

This is, perhaps, a counsel of perfection and it would be unreasonable to expect every small company to have a full-time secretary; but what is essential is that a limit be placed on the number of secretaryships that can be held by any one individual or firm so that the performance of these duties are not reduced to automatic and often quite meaningless formalities. The same principle might well be extended to directorships to prevent the use of nominees which often obscure the true source of control of the companies concerned. A company director has onerous liabilities and responsibilities at law and these should be regarded much more seriously than they have sometimes been in the past. If directors do not 'direct' they cease to have a justifiable function to perform and bring the whole philosophy of the limited liability company concept into contempt.

It may be argued that nominee directors are unavoidable, as principal shareholders are not prepared to allow the company's policy to be defined by anyone but themselves, and nominee directors are only tolerated for such time as they are acquiescent in their principals' wishes. This may well be true in practice and implies that in such circumstances some other form of organization would be more appropriate than the limited liability company. However, this is a matter for the philosophy of jurisprudence and

management science, and is beyond the scope of any company law revision likely to be acceptable in the near future. Indeed, it may not be wholly undesirable for qualified accountants and solicitors to act as nominee secretaries and directors in the present stage of development. One risk is that they may find it difficult to act effectively as directors in the full sense of the word, due to lack of management training and experience (as opposed to accountancy and legal expertise); but this is a practical risk, a company being entitled to the full experience and counsel of each of its directors. And this would not preclude their use as 'nominees' for purposes of incorporation and to simplify the setting up of the company.

Specific Matters

Among more specific matters in the existing legislation that require changing, and new provisions that could desirably be incorporated in a future Companies Act, are the following:

(1) The present multiplicity of filing fees, deed stamps and capital duty (the first-named being payable to the Registrar of Companies, and the others to the Commissioner of Stamp Duties) should all be payable to the Registrar of Companies, together with an annual fee to cover the filing of all documents lodged during the year.

(2) The use of type-lithography and other modern processes for the reproduction of memoranda and articles of association should be acceptable.

(3) All shares now require to be numbered, but it is suggested that fully paid up shares ranking *pari-passu* should not require to be numbered.

(4) Under present Nigerian law the register of members may not be kept elsewhere than at the registered office. Provision should be made for it to be kept at the office (not necessarily being the registered office) where the work of making-up is done.

(5) The present requirement that an annual general meeting must be held within fifteen months of the preceding one, should be amended to increase the period to eighteen months.

(6) At present, in theory, every company (including private companies) must hold an annual general meeting in its year of incorporation – even if it was incorporated on December 31st, it would appear an annual general meeting must immediately be held though how this can validly be done when Table A requires a minimum of seven days' notice is difficult to see. The 'statutory meeting' fortunately is not affected by this odd provision. While, in practice, the Registrar permits some latitude here, he has no statutory authority for doing so, and the requirement should be changed so that an annual general meeting must be held within eighteen months of incorporation.

(7) Present legislation merely requires a statement in the form of a balance sheet to be filed with the annual return (Form E). While this may be sufficient in the case of private companies, public companies should be required to file full accounts on the lines of the requirements of the United Kingdom Companies Act, 1948.

(8) Sundry current provisions reminiscent of colonial days should be repealed; in particular, all companies registered or incorporated in Nigeria should have the same powers to hold land.

(9) In view of the abolition of stamp duty on share transfers some time ago, section 38 of the present Act should be repealed.

(10) The permitted period for the filing of documents is fifteen days; thirty days would be more realistic in Nigerian conditions as the present limits are regularly exceeded.

(11) The fact that a private company is required to hold a 'statutory meeting', without the need to file a statutory report, appears to be due to an omission to exclude private companies from the provisions. Exemption should, therefore, be granted as there is no point in holding a meeting at which no business is conducted.

(12) Requirements relating to the statutory reports required from public companies should be brought more into line with the provisions of the United Kingdom Act.

(13) The present statutory requirement for 'confirmation' of a special resolution serves no useful purpose, and should be repealed.

(14) At present a private company need have no directors at all. This anomaly should be removed.

(15) The provisions of the United Kingdom Act regarding prospectuses should be adopted in view of rapid modern development in Nigeria.

(16) As residences outside the principal towns in Nigeria often have no proper postal addresses, it is recommended that principal business addresses be accepted in lieu of the present requirement to file residential addresses of directors.

(17) It is necessary under existing legislation to file the actual contract supporting an allotment of shares for a consideration other than cash. It is recommended that the filing of particulars of the contract would be adequate.

(18) Current provisions regarding auditors are inadequate and legislation based on sections 159, 160–163 (excluding subsection (iv) of section 161) and the Ninth Schedule of the United Kingdom Companies Act, 1948, is recommended.

(19) New legislation should include specific provision for a company to apply to be struck off the Register if it is not carrying on business, but subject to the usual safeguards for possible creditors.

(20) Companies incorporated outside Nigeria but having 'a place of business' in the country are required to file particulars with the Registrar within six weeks of the establishment of that place of business. As great difficulty is experienced in complying with this requirement the prieod should be increased to three months; moreover, an attempt should be made to define 'place of business' as the present position is vague.

(21) There is no statutory authority for the issue of redeemable preference shares and it is

recommended that such authority should be given.

(22) Current legislation lacks provisions regulating accounts and it is clearly necessary to include provisions similar to those of sections 147–158, and the Eighth Schedule of the United Kingdom Companies Act.

Table A

The Nigerian Table A leaves much to be desired and, in particular, the following provisions at least are recommended in the light of local experience and practice.

(1) Permit non-members to be proxies.

(2) Permit directors to hold offices of profit, such as works or sales manager, etc.

(3) Certain omissions in Regulation 77 should be rectified. At present no mention is made of entering into any arrangement with creditors, although insolvency is mentioned as a disqualification for a director. Surprisingly there is no provision disqualifying a director convicted of an indictable offence, or of the obvious case where he resigns his office.

(4) The following matters are not mentioned at all:

(*a*) appointment of alternate directors – of whom frequent use is made in Nigeria;

(*b*) capitalization of profits;

(*c*) distribution of specific assets in winding-up;

(*d*) fractions arising as a result of distributions made under (*b*) and (*c*) above;

(*e*) winding-up;

(*f*) indemnity.

Professor Gower, in his recommendations on Company Law Revision in Ghana, suggested the replacement of the separate memorandum and articles of association by one document. This is most sensible as it makes for ease in incorporation and subsequent administration. It is, of course, based on the premise that many of the so-called 'objects' at present appearing in the memorandum would be defined in the legislation and included automatically, thus reducing the bulk of the memorandum and confining it to the real powers of the company. A similar provision should be written into the new Nigerian legislation.

Interfirm Comparisons in the Engineering Industry

STRIKING EVIDENCE

(A report by the Centre for Interfirm Comparison)

RECENTLY, fifty-seven companies took part in a project of interfirm comparisons for engineering companies conducted by the Centre for Interfirm Comparison (I.F.C.). As will be seen from the attached examples, it is not the object of these comparisons to arrive at general conclusions about the industry, but to give the top management of each individual firm a diagnostic tool which throws into sharp relief otherwise undetected weaknesses in the firm's policy and performance, and indicates the direction in which remedial action should be taken.

The first example (Industry X4, firm 5) is that of a firm which was comparatively unprofitable because it offered a wide range of products and obtained orders which did not lend themselves to large batch production. The second example (Industry X5, firm E.) is that of a general engineering firm which turned out to be relatively unsuccessful because it had received orders which could not easily be integrated into existing production commitments.

In both these firms the comparatively low profit was due basically to their managements' failure to achieve balance between capacity and sales. The Centre's work has provided strong evidence of the fact that this is a frequent basic cause of low profitability.

Using the interfirm comparison figures, the I.F.C. has advised the first firm to establish which items in its range are likely to be in frequent and continuing demand, and can safely be made for stock in economic quantities. By doing this, the firm will be able to use its capacity more intensively, and this will enable it to manufacture at lower cost, to use its capital more effectively, and thus to increase its profit on capital employed. On the recommendation of the Centre, the second firm will use production control data to keep its representatives up to date about the capacity loading of different production shops, thereby enabling them to go for the 'right' orders (for details, see Industry X5).

The examples show how interfirm comparisons of only a few simple figures can stimulate and enable managements to keep their policies and operations under constant critical review and to arrive at decisions likely to lead to improvement. As more and more firms join interfirm comparison schemes for their industry, the aggregate of such decisions will have an increasing impact on national economic development.

Example I

Comparative ratios of five firms of similar type and size

Each of the five light engineering manufacturers whose ratios are shown in Example I offers a wide range of products on a catalogue basis. Many firms of this type find it difficult to predict for which of the items in their wide range they will receive orders. Some of them will not take the financial risk of manufacturing in anticipation of orders (i.e. for stock) but will tend to produce on receipt of customers' orders on a one-off or small batch basis. This, in view of the wide range involved, can easily result in accumulations of work in progress.

However, such firms can reduce the liquidity risks resulting from large material stock-holdings and from accumulations of work in progress by producing for stock in advance of orders either those items for which (as would appear from analyses of past sales) there is a continuous demand, or those standard components or sub-assemblies which are common to several of their end products.

INDUSTRY X4 – TABLE OF RATIOS

Ratio	Firm				
	1	2	3	4	5
1. Operating profit/Operating assets (%)	20·1	18·4	13·3	10·6	7·5
2. Operating profit/Sales (%)	19·3	18·2	11·9	10·9	9·3
3. Sales/Operating assets (times)	1·04	1·01	1·12	0·97	0·81
3a. Operating assets/Average daily sales (days *)	350	361	326	376	450
4. Production cost of sales/Sales (%)	67·3	68·3	72·6	72·7	76·1
5. Distribution and marketing expenses/Sales (%)	9·1	8·9	10·2	11	8·1
6. General and administrative expenses/Sales (%)	4·3	4·6	5·3	5·4	6·1
7. Cost of materials/Sales (%)	43·4	43·9	43·8	48·5	43·5
7a. Cost of bought out finished parts/Sales (%)	16·3	16	15·5	9·5	5·2
8. Direct labour cost/Sales (%)	9·3	10·4	10·1	9·2	12·7
9. Production overheads/Sales (%)	14·6	14	18·7	15	19·9
10. Current assets/Average daily sales (days *)	100	109	113	91	128
11. Fixed assets/Average daily sales (days *)	250	252	213	285	322
12. Material stocks/Average daily sales (days *)	20	21	21	13	34
13. Work in progress/Average daily sales (days *)	9	8	8	5	33
14. Finished stocks/Average daily sales (days *)	24	24	23	25	16
15. Debtors/Average daily sales (days *)	47	56	61	48	45

*Days required to turn the asset over once

Observations from table of ratios

If you were the managing director of Firm 5, you will note from the table of ratios in Example I that:

(1) *Your operating profit on operating assets* (indicating the earning power of the operations of your business) is comparatively low.

(2) This is due to the fact that your operating profit on sales (ratio 2) and your turnover of operating assets (ratio 3) compare unfavourably with those of the other firms. Ratio 2 shows *what* profit margin you have earned on sales, whilst ratio 3 indicates *how often* with your operating assets you have been able to earn it in a year. Ratio 3a shows the number of days required to turn assets over once in a year.

(3) *Operating profit on sales* (ratio 2). This is comparatively low because your ratios of production cost of sales (ratio 4) and general and administrative expenses (ratio 6) are comparatively high.

(4) *Production costs* (ratio 4). By comparing your ratios 7 to 9 with those of the others, you will see that your high production cost ratio is due to the fact that your production labour cost ratio (ratio 8), and your production overhead ratio (ratio 9) are comparatively high. One reason why these ratios (and your turnover of fixed assets – ratio 11, see below) compare unfavourably is probably that in comparison with the other firms you manufacture a large percentage of the components and parts used by you in making your final products (ratio 7a), so that your labour and plant requirements are probably greater than theirs. Your production overhead ratio may reflect relatively high depreciation charges caused by your greater plant requirements.

(5) *Turnover of assets* (ratios 3 and 3a). Reverting to this item, you will see that your turnover of assets is comparatively slow because both your turnovers of current and fixed assets (ratios 10 and 11) are slower than those of the others. Your slow turnover of fixed assets may in part be due to the fact that because you make more of your own parts you require more plant than other firms; however, it is also at least partly caused by difficulties experienced by you in making adequate use of available plant and machinery. In the information given to us you have indicated that for the orders received you had to make a considerable variety of different products, few of which you had parts or processes in common. In this situation you could make only a very few products for stock prior to the receipt of orders from customers. In your case, sales of products made for stock in anticipation of orders, and sales of products made from common standard components, represent a comparatively small percentage of your total sales.

As a result of your order-mix, you find it difficult to plan production in economic runs. This situation is reflected not only in your slow turnover of fixed assets, but even more in your very slow turnover of work in progress (ratio 13), and your very fast turnover of finished stocks (ratio 14). The disadvantages of your policy of accepting orders for a large variety of items (without more intensive stock production of selected

end products or of components common to different end products) do not seem to be compensated for by the prices you have been able to obtain.

Proposed changes in your policy

In order to improve your position you should now attempt to identify those items in your range for which a continuing strong demand can be expected. These should be made in economic batches for stock in advance of orders, and should be marketed intensively. At the same time you should study the composition of your stock of parts and components with a view to developing standard components from which a variety of different end products can be assembled. Such standard parts and components should be made for stock in economic batches. In the light of this revised part-stock policy you should review your present policy of buying a relatively small number of parts and components.

Special orders, i.e. orders for non-standard products which cannot be assembled from standard components, should be accepted only if the price obtained will compensate you for the higher costs of 'one-off' or small batch production.

The proposed steps should help you to improve your labour cost and production overhead ratios, and your turnover of your work in progress and fixed assets. Your present high ratio of general and administrative expenses (ratio 6) seems to reflect a heavy work load in your invoicing and accounts departments resulting from your policy of accepting small orders from a large number of different customers. This ratio should improve as a result of the proposed policy changes. Your turnover of material stocks may also improve, but you should expect a rise in your distribution and marketing expenses (since your stock-produced products will need more intensive marketing) and a slowing down in your turnover of finished stocks.

Example II

Comparative ratios of seven firms of similar type and size

The companies whose ratios are shown in Example II are of the same type, i.e. they are general engineering firms which do not offer 'a product' but a production service. In other words, they sell the ability to make within a certain class of products (for whose manufacture the firms are equipped) any product as wanted by the customer. Typically such firms will receive orders for products to be made on a one-off or small batch basis. Some firms of this type will manufacture to customers' design and specification; others will have their own drawing office and design facilities.

On the whole, the success of a firm of this type depends on its ability to obtain sufficient orders to fill its capacity and to integrate the inflow of new orders into existing factory commitments in such a way that quick deliveries can be achieved, accumulations of work in progress are avoided, and the profit element in prices quoted is not reduced by rises in costs incurred before delivery.

INDUSTRY X5 – MANAGEMENT RATIO COMPARISON

(The relationship between the ratios in this table is illustrated in the 'pyramid' diagram shown on page 413)

Ratio	Unit	Firms						
		A.	B.	C.	D.	E.	F.	G.
General								
1. Operating profit/operating assets	%	14·3	13·3	10·6	10	5	4	2·2
2. Operating profit/sales	%	13·1	11·9	10·9	6·1	5·1	4	2·9
3. Sales/operating assets	times	1·09	1·12	0·97	1·64	0·98	1	0·75
3a. Operating assets/average daily sales	days *	335	326	376	222	372	365	486
General costs								
4. Production cost of sales/sales	%	69·4	70·6	72·7	77·4	80·5	80·2	79·2
5. Drawing office, estimating & design costs/sales	%	1·9	2·3	1·5	0·6	3·1	1·9	2·1
6. Distribution and marketing costs/sales	%	11·2	9·9	9·5	10·1	6·6	9	10·5
7. General and administrative costs/sales	%	4·4	5·3	5·4	5·8	4·7	4·9	5·3
Production costs								
8. Cost of materials/sales value of production	%	43·4	43·8	48·5	45·5	43·4	46	45·7
9. Works labour cost/sales value of production	%	9·3	9·1	9·2	12·3	15·6	14·9	13·7
10. Other production costs/sales value of production	%	16·7	17·7	15	19·6	21·5	19·3	19·8
Asset Turnover – General								
11. Current assets/average daily sales	days *	179	143	181	118	168	179	126
12. Fixed assets/average daily sales	days *	156	183	195	104	204	186	360
Current asset turnover								
13. Materials stocks/average daily sales	days *	43	31	53	19	45	39	18
14. Work in progress/average daily sales	days *	23	28	35	16	42	22	11
15. Finished stocks/average daily sales	days *	39	13	25	9	13	42	28
16. Debtors/average daily sales	days *	74	71	68	74	68	76	69

*Days required to turn the asset item over once

NOTE. – In the tables given in Examples I and II the actual ratios of companies have been slightly changed so as to avoid any danger of identification. However, the tables represent a true picture of the range of difference between the ratios of firms.

Report to the Managing Director of Firm E.

A. Background

You have stated that the value of orders received and on hand was satisfactory. However, you found it difficult to integrate new orders into existing factory commitments, because you had insufficient capacity for the manufacture of many of the parts and components needed for the products ordered. On the other hand, you could not use parts and components which you had previously made for stock (assuming that they would be needed for the manufacture of products likely to be ordered). The shops which are equipped to make these parts and components were under-employed during the greater part of the year, but were used later to make some 'bread and butter' lines which you intend to develop and sell as your own brand products.

B. How your ratios compare

Having compared your ratios with those of the other firms, you will note that your operating profit on operating assets is relatively low and that this is due to both your profit on sales and your turnover of assets comparing unfavourably with those of the majority of firms of this comparison group.

Your low profit on sales is mainly due to your high production cost ratio 4. Your drawing office, estimating and design cost ratio 5 is also high but your distributing and marketing costs ratio 6 is the lowest of all. Your production cost ratio 4 is high because your works labour cost ratio 9 and your 'other production costs' ratio 10 are very high.

Your slow turnover of assets is caused partly by your slow turnover of fixed assets (ratio 12) and partly by your slow turnovers of materials stocks (ratio 13) and work in progress (ratio 14).

Comments and Recommendations

1. *Unbalance between production capacity and orders received*

In your case high production cost ratios 9 and 10 (both with a high fixed cost element) coincide with very slow turnovers of fixed assets (ratio 12) and work in progress (ratio 14). This combination of unfavourable ratios reflects the production planning difficulties which you encountered as a result of your order-mix, i.e.:

- (*a*) This prevented you from making adequate use of some of your capacity and therefore:
  - (i) caused your turnover of fixed assets (ratio 12) to be slower than those of most other participants;
  - (ii) caused your rate of absorption of fixed production overheads to be less satisfactory than those of other firms; hence your high ratios 9 and 10.
- (*b*) Your order-mix resulted in the work load of some production shops rising beyond their capacity, so that the completion of some orders was held up until certain parts or components could be made. This caused accumulations of work in progress; hence your slow ratio 14.

Thus your unfavourable ratios 9, 10, 12 and 14 reflect the fact that you received orders which could not easily be integrated into existing factory commitments. What could you do to avoid a recurrence of this situation?

Action

You may be able to bring orders received into line with capacity by keeping your sales representatives up to date about the capacity loading of different production shops, and by instructing and encouraging them to go out for orders which would help to fill capacity that is unused, or is likely to be unused in the near future. On the other hand, inquiries or orders which would involve the firm in manufacturing processes for which capacity is not or is not likely to be available should be carefully studied, and a decision on such orders should be arrived at jointly by your production and marketing managers. Whether you can take this action depends largely on the quality of your production planning and control methods, on the calibre of your sales representatives and on your ability to ensure satisfactory collaboration between the marketing and commercial sides of your business.

Your distribution and marketing cost ratio 6 is the lowest of all firms in this comparison group. Would this suggest that you are not spending enough on employing salesmen of the right calibre? Would this be a reason why your present order position is unsatisfactory? You yourself will know whether your production planning and control department can supply the capacity information that should be available to the marketing side of your business.

2. *Turnover of material stocks*

The fact that you could not make use of the parts made by you for stock will have contributed to your turnover of material stocks (ratio 12) being relatively slow. What can you do to improve this?

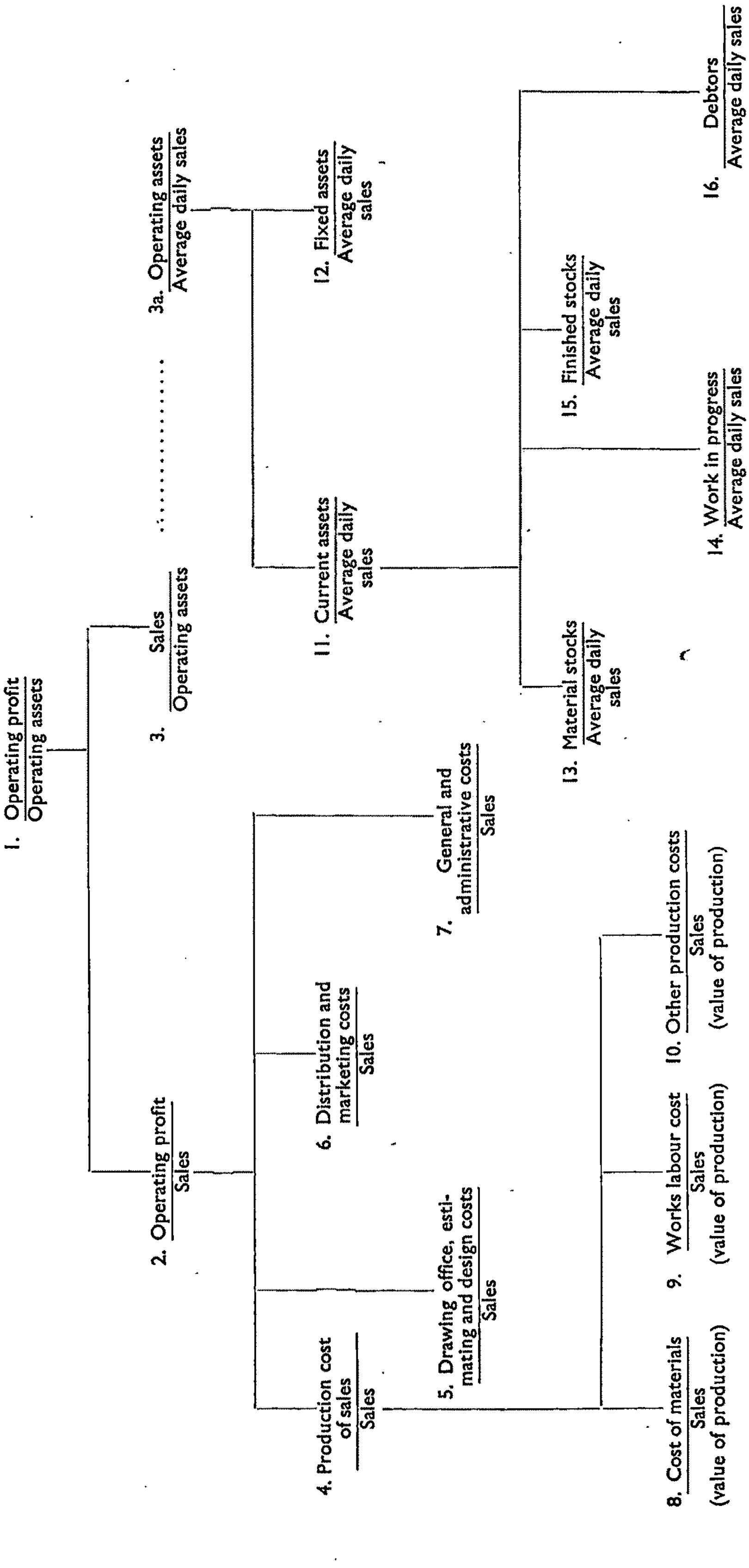
Action

(*a*) Stocks are known to have accumulated in firms whose designers were not specifically instructed to make fullest possible use of parts held in stock. There is a danger that where such instructions are not given or not enforced, new parts will be designed for each new contract even though similar stock parts could be used. This will gradually affect the financial position of the firm concerned. Your drawing office, estimating and design costs ratio 5 is the highest of all. Would this reflect an 'over-active' design department? You may wish to investigate to what extent a tendency to design new parts regardless of the availability of similar stock parts has affected your turnover of material stocks.

(*b*) Your slow turnover of material stocks may also reflect your marketing department's misjudgement of the potential market, or (if the decision to make these parts was taken by the production department without consultation with the marketing side) it may indicate lack of co-ordination between marketing and production. Should you find that your slow ratio 14 is at least in part due to this factor you might also go into the question of whether there is likely to be an adequate demand for the 'bread and butter' lines developed by your firm to use spare capacity. Your present turnover of finished stocks (ratio 13) – probably stocks of 'bread and butter' lines – compares favourably with those of the others; naturally, you will want to avoid unplanned accumulations in your finished stocks.

Readers cannot be advised to compare their firms' figures with those of the examples given in this report because the figures of the examples were calculated on the basis of uniform definitions of accounting terms specially designed for those firms which participated in this particular project of interfirm comparisons.

'PYRAMID' OF RATIOS



Note: This pyramid shows the relationship between the ratios of the table on page 411.

Weekly Notes

NINETY YEARS AGO

NINETY years ago this week-end, accountants of the day were reading the first issue of *The Accountant*. First published as a monthly journal of sixteen pages in October 1874, the paper was immediately well received – to quote the founder-editor in the November issue (increased to twenty-four pages), it was the subject of 'many flattering and encouraging communications'.

While much has happened in the accountancy world during the past ninety years, the objects of *The Accountant* have remained unchanged. In re-stating these we cannot improve on the words of the founder-editor who, in announcing the change from monthly to weekly publication on January 2nd, 1875, wrote: 'Opportunities will thus be afforded for bringing important topics at once under the notice of the profession; to comment on matters as they arise from week to week, to "shoot folly as it flies" . . . whilst reports, being presented weekly, will possess more of interest and of practical utility to accountants than when issued at intervals of a month.'

In pursuing this policy over the years, we feel that the journal, through the constancy of its aim to meet professional needs and its independent status, can be justly proud of its long-standing and unique position as the only weekly accountancy publication in the world.

INLAND REVENUE TAKE OVER WAR DAMAGE CLAIMS

THE War Damage Act, 1964, came into operation on Thursday. The Act dissolves the War Damage Commission and transfers to the Commissioners of Inland Revenue the principal functions of the Commission for making payments in respect of war damage to land and buildings and of the Board of Trade for making payments in respect of war damage to goods and chattels. As from October 1st, 1964, claims for war damage payments will be dealt with by the Controller, War Damage Office, 90–96 Cannon Street, London EC4.

The Act also brings the War Damage Compensation Scheme to an end by prescribing time limits for all claims in respect of outstanding war damage. If a cost of works payment is to be obtained, the claimant must do the necessary work and make his claim to the War Damage Office for payment by September 30th, 1968. Claims for value payments for war damage which is not to be made good must also be made by September 30th, 1968.

EFTA'S FOURTH YEAR

THE European Free Trade Association has published this week its fourth annual report covering the year up to June 1964.[1] The report sums up the year as one of consolidation and constructive activity. Production and trade in member countries showed steady gains and trade barriers within the EFTA market were further reduced. By the end of 1966 EFTA will have become a single market of 100 million people, almost completely free of tariffs and other restrictions on industrial goods traded among member-countries.

New steps taken during the year include a first review of EFTA agricultural trade and the establishment of an economic development committee to assist EFTA countries with problems of development. The Association continues to support the current Kennedy Round of trade negotiations in the General Agreement on Trade and Tariffs (GATT).

Reporting on economic trends in the Association, the report says that mid-1963 was a turning point for several EFTA countries including the United Kingdom. Since Britain's production accounts for more than half the EFTA total, this revival was transmitted to the annual economic growth rate of the rest of the group. The combined gross national products of member-countries increased by 3·7 per cent in real terms over 1963 and this was double the rate of increase in 1962.

UNEMPLOYMENT IN SEPTEMBER

THE last official announcment of the unemployment position in the United Kingdom before the General Election was published last week. Following a month in which the number of unemployed had increased because of the arrival of school-leavers on the labour market, the figure shows a fall of almost 27,000 to about 341,600. This is the lowest unemployment figure since September 1961. It represents only 1·5 per cent of the employed population. As might be expected, the rate of change has been most favourable in the North of England, although a rather better performance might have been expected in Scotland where the unemployment rate was reduced from 3·4 per cent in August to only 3·3 per cent in September. There was no change in the unemployment rates in London and South-east England or in the Eastern and South-western regions.

The improvement in the September figures compared with August probably indicates that school-leavers were able to find jobs fairly quickly in August and that employers have since concentrated on recruiting adults. The General Election is therefore going to take place at a time when unemployment is at a lower level in the country as a whole than it has been in three years.

---

[1] Fourth Annual Report of EFTA available from H.M. Stationery Office. Price 5*s* (5*s* 6*d* by post).

FUTURE OF AIRLINE FARES

AT the annual meeting of the International Air Transport Association at Bogota, Colombia, recently, Sir William Hildred, Director-General of the I.A.T.A., said that airlines will find it difficult to make further cuts in fares in a period of rising prices.

He pointed out that 1963 saw an improvement in the general financial picture of the international airline industry. Preliminary estimates show an operating profit for the world's airlines in 1963 of nearly £60 million. This is estimated as 2·4 per cent of operating expenses compared with 1·5 per cent earned in 1962. So far as 1963 is concerned, there is some ground for thinking that operating income was increasing slightly faster than operating expenses. He added that the airlines are gradually filling the excess of capacity brought about in recent years by the introduction of jet-powered machines. Traffic growth about equalled growth in capacity with the result that the average load factors were little changed last year compared with 1962, but improved aircraft utilization and other measures of efficiency had led to better performances.

This is My Life . . .

By An Industrious Accountant

CHAPTER 244

FIFTY years ago the British Expeditionary Force went marching away to war and exhibitions up and down the country of relics, memoirs, and photographs have recently commemorated the anniversary. From a crowded upper shelf I picked out an old favourite for comparison. It was *The First Hundred Thousand*, by Ian Hay – a simple, unsophisticated little tribute to the men he knew so well. While, perhaps, not as starkly realistic as others that have followed it, it has an appealing freshness; his soldiers are as natural and recognizable now as when he wrote the book.

We can hardly say the same about another of his works, *A Safety Match*, written in 1911. It has dated sadly, this story of Juggernaut Carr, the ruthless mine-owner with the hidden heart of gold, and his bride, the artless 19-year-old from the village rectory.

Chapters two and three narrate the meeting between the colliery owners and the workers' delegation, pressing for reinstatement of an engineman and a miner summarily dismissed. For simply grousing, says one side; for preaching red revolution, says the other, and they argue hotly. The participants are sketched in quick vivid phrases. I've personally sat in on many a tough trade dispute meeting, as many accountants do nowadays, but those ancient procedures seem incredibly unreal. Were Edwardian negotiations really like that? Did accountants play no part in them at all?

The six workers' delegates are fascinating examples of the author's weakness for pigeon-holing people. There was Jacob – old, deaf and obstinate; Adam – cautious, placid and stupid; and James – honest and muddleheaded. Tom and Albert are violent, vicious and semi-anarchist; so it is with relief that we find Amos described as sober and honest. They conduct their business with the utmost incompetence most of the time, abusing capitalism rather than helping their sacked colleagues.

The boss-class are, if anything, shown to be even more inept. Two kindly but nitwitted patricians – a shrewd but silent solicitor, and a mine-owner described as middle-aged, timorous, and precipitate, whose mental age seems to be about seven, head the list. Then comes a *nouveau riche* whom Ian Hay clearly despises, damning him with a reference to his diamond rings and elastic-sided boots. They keep their visitors standing during the early course of the argument, and pray for Juggernaut's arrival.

As this gentleman is the hero of the novel – in its day a best-seller – he probably represented the contemporary upper-class view of how industrial management should ideally act. He is efficient, dynamic, invulnerable; with a tongue described as being like a whip-lash. He makes long speeches (in passing, Ian Hay gives him all the best lines), his eyes glowing while he preaches the benefits of poverty. 'The man at the bottom has the whole ladder to climb, instead of a few paltry rungs, as is the case of a man born near the top. Let him think of that, and be thankful!'

For variety, he crashes his fist on the table as he castigates eloquently the tyranny of trade unions, such 'unsound panic-stricken, vote-catching legislation' as Unemployment Acts, the 'extraordinarily touchy and thin-skinned employees', and the myopic Government which initiated old-age pensions. He deplores the passing away of the feudal system and threatens an immediate lock-out in all the mines.

It's a good thing to thrash these matters out, he says, having done 74 per cent of the talking, compared to the 26 per cent of the eleven others, and smilingly deprecates his habit of preaching a sermon. He wins hands down, of course; Amos acquiesces, but under protest.

The odd thing is that the owners themselves agree that it's a bit hard on one of the victims; he's a sincere and honest grumbler, they admit; bad luck on the poor devil. But they insist on sacking him all the same, because, 'if we don't eradicate him, he'll spread'. I suppose the poor devil joined the 'first hundred thousand'.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for the opinions expressed.

Institute's Reduced Subscription

SIR, – Under Bye-law 42 of The Institute of Chartered Accountants in England and Wales, the Council may, at its discretion, on the application of any member, reduce to one guinea the subscription payable thereby for any year provided, (1) that the member is not less than 60 years of age and has been a member for not less than 30 years, and (2), that the member has retired from practice and other business activities. In the case, however, of a member who satisfies proviso (1) but who is in practice, his normal subscription is only reducible by one-half and even then only on the ground of 'financial hardship'.

There are thus – apart from certain exceptional cases, *vide* clause (*b*) of the bye-law – two member categories eligible for application by virtue of age and period of membership, namely, (*a*) members who have retired from practice and other business activities, and (*b*) members who are in practice but who may apply for subscription reduction by one-half on the ground of 'financial hardship'.

Paragraph (3) of the Institute's notes on the bye-law states in relation to category (*a*) members 'in considering whether a member has retired it is the Council's practice to disregard minor residual business activities which carry remuneration provided that they occupy only a small amount of time'. Details referable to this proviso are required by the Council but there is no indication on the notes as to disclosure of income from non-earned sources.

Applications by category (*b*) members are referred to in paragraph (4) of the notes which states, *inter alia*, 'The Council recognizes that there may be financial hardship for a member who is elderly and has only a small practice, but is nevertheless effectively in practice so that a reduction in subscription to only one guinea would be inappropriate.' It is a compulsory requirement by the Council for a category (*b*) member to complete a certificate on Part 2 of the application form 'in respect of his income'. Experience has shown that the Council interpret this as meaning 'income from all sources', the result of which is to impose a means test operating as a prerequisite to consideration of the application.

Consideration of the above leads to certain observations. First, it may be thought that the term 'financial hardship' – which is not amplified in the bye-law – was intended to operate in relation to practice income particularly in view of the wording in paragraph (4) of the notes – 'the Council recognizes that there may be financial hardship for a member who is elderly and has only a small practice'. Secondly, is it not manifestly unfair that the member with a small residuary practice should be subjected to a means test and not the 'residual business activity' member – the earned income of the latter could be similar in amount to that of the former and his income from other sources very much larger? Thirdly, is not the imposition of a means test in any circumstances incompatible with the dignity and standing of the profession?

In conclusion, it would seem in the interest of fairness that a case could be made out for amendment whereby all members who have attained age 60 would be entitled to a 50 per cent reduction in existing subscription, the present one guinea subscription to come into force upon cessation of practice and in special circumstances such as ill health.

Yours faithfully,

Goring-by-Sea, Sussex. L. B. JACKSON, F.C.A.

Wastage: Drapery Store

SIR, – 'Beck' does not overstate the position, in your issue of September 19th, by describing a 9 per cent loss as a serious problem – most stores would be very concerned if the loss exceeded 2 per cent in dress materials and 3 per cent in woollens.

Measuring by hand on a forty-yard length should result in a cutting loss of not more than a half-yard and, if measuring machines are used, then not more than a quarter-yard.

Remnants may take up to one yard per length but they should be recorded so as to produce a 'known loss' which is offset by proceeds of sale of remnants.

The practice of giving customers pattern lengths free of charge from expensive materials can also be a costly process.

It may well be that the problem calls for, *inter alia*,

(*a*) review of management policy and systems;

(*b*) training of staff and review of discipline;

(*c*) installation of measuring machines;

(*d*) check on security generally as it may well be that the answer lies outside the problem of cutting losses.

Yours faithfully,

J. RYAN, F.C.A.,
Chief Accountant,
Hull. HAMMOND'S LIMITED.

SIR, – Your correspondence columns of the September 19th issue contain a query from 'Beck'. An acceptable loss from the yardage department is 2½ per

cent at the most. In practice it has been shown that this can be improved upon by the use of measuring machines.

As regards remnants, this is obviously a loss of profit, but should be a known loss.

If your correspondent maintains a normal retail selling price control, his stock should be adjusted by a mark-down to cover this loss.

Yours faithfully,

Southend-on-Sea D. P. COOPER, F.C.A.

Trustee's Remuneration

SIR, – Under the terms of a will, four trustees A., B., C. and D., nominated in the will, received 3 per cent each of the net trust income as remuneration for their services.

After acting as a trustee for some years, C. died and was subsequently replaced by E.

Prior to E.'s appointment as a trustee, A., B., C. and D. had set up a reserve out of income to cover certain contingencies.

Some time after E. became a trustee, the trustees decided to distribute the reserve, as the contingencies for which the reserve was set up had not arisen.

Should E. share in the distribution of the reserve as he was a trustee at the time of its distribution as income available for distribution, and therefore entitled to 3 per cent thereof as part of his remuneration for the trust financial year in question?

Or, as the reserve was set up out of income, would it not be more equitable and correct to distribute the reserve among the beneficiaries who shared in the income at the time of setting up the reserve, and consequently to exclude E. from any share of the reserve?

Readers' views would be interesting.

Yours faithfully,

TRUSTEE.

Finance and Commerce

Plant Development Reserve

WHEN is a 'Plant Development Reserve' not a plant development reserve? The answer is apparently given by the directors of Breedon & Cloud Hill Lime Works Ltd. In the company's accounts to January 31st, 1964, issued on May 2nd, the chairman, Mr F. Woolley-Hart, made particular reference in his annual review to a transfer of £40,000 to a new plant replacement reserve – the accent being on 'new'.

Shareholders were told that the company was faced with the necessity of providing for the expenditure over the next year or two of a 'substantial sum if we are to maintain profits at the level of the years prior to that of the year now under review'. The directors, it was said, thought it 'only prudent to finance the bulk of this expenditure from our own resources'.

On September 12th, little more than four months after the issue of the accounts, the company announced the capitalization of £168,750 of reserves for a '1 for 2' scrip issue. The £168,750 comprised the capital reserve of £3,777, also £124,973 of the general reserve account and the £40,000 reserve for plant development.

Triplex

CONFRONTATION with a column of figures (if not too long a column) invariably creates an urge to add up. Possibly that is why the 'Six-year Record' contained in the report of Triplex Holdings Ltd caught the eye. The addition is already done.

Instead of beginning with 'Sales turnover' the record (£000 omitted) begins, in the 1963–64 column, with materials £6,356 and then reads wages £2,754, other charges £1,612, taxation on trading £1,107, trading profit after tax £1,005, to give sale turnover, £12,834.

The next stage is to show net profit for the year after tax by adding 'from trading (above) £1,005 and from other income (less tax) £92' to give £1,097. This is allocated as to: dividends £465, and retention in the group £632.

Sales (again with £000 omitted) compared with £10,949 in 1962–63 and trading profit, after tax, with £616. Mr John Steel, in his statement, reminds shareholders that just as the margin of profit responds to increasing demand, it is correspondingly susceptible to a fall and 'if there were any recession in the motor industry, it would be rapidly reflected in our financial results'.

That happened in 1960–61, in fact, when sales turnover, compared with the previous year, was down from £11,551,000 to £9,421,000, with net profits down from £777,000 to £426,000, after tax of only £519,000 against £930,000.

Machinery Troubles

THE Smith's Potato Crisps company seems to have overcome its accounting machine troubles. In the latest group accounts the debtors item is down from

£2,043,448 to £1,725,288, with the latter amount including the figures of two newly-acquired subsidiaries.

A year ago shareholders were told that the parent company's figure for debtors was unduly high as a result of delays in delivery and initial operating faults in special new accounting machines. The parent company's accounts this year show a reduction in debtors from £1,887,552 to £1,457,675, a figure which Mr Thomas Swan, the chairman, describes as 'within acceptable limits in relation to our current turnover and under current trading conditions'.

He adds, however, that 'the question of suitable compensation for the loss caused by delayed delivery and initial faults is under consideration with the manufacturers'. The company's report, incidentally, shows the vast amount of capital which exists behind a packet of crisps. In four years the company has spent nearly £4 million on development and re-equipment, and the caption to one picture in the report reads 'Laying part of five miles of pipe-work in the Estates Company's irrigation scheme'.

Directors' Reports

ONE section of the Companies Act that might well be given consideration when new legislation makes its belated appearance is section 157. Every balance sheet laid before a company in general meeting, it says, must be accompanied by a report from the directors 'with respect to the company's affairs, the amount, if any, which they recommend should be paid by way of dividend and the amount, if any, which they propose to carry to reserves within the meaning of the Eighth Schedule'. Besides other details of which most readers will be aware the section provides for penalties for non-observance – which are quite stiff.

Penalties or not, however, the section never quite seems to have been given the attention that is required. It is true that the state of affairs of companies is usually dealt with – sometimes extensively so – in what is now usually called the

RATCLIFFE'S SPRINGS LTD
AND ITS SUBSIDIARY F. S. RATCLIFFE (ROCHDALE) LTD
CONSOLIDATED BALANCE SHEET, 30th APRIL 1964

1963 £	1963 £		Authorised. £	Issued. £
		(1) CAPITAL—RATCLIFFE'S SPRINGS LIMITED		
		25,000 7% Cumulative Redeemable Preference Shares		
25,000		of £1 each	25,000	25,000
187,500		750,000 Ordinary Shares of 5/- each	187,500	187,500
212,500			212,500	212,500
51,544		(2) SURPLUS: Balance on Profit and Loss Account		65,566
		(3) RESERVE FOR FUTURE TAXATION:		
26,550		Income Tax—1965/66		32,300
		(4) CURRENT LIABILITIES:		
	18,128	Trade Creditors and Accrued Charges	24,666	
		Taxation:		
	18,455	Income Tax 1964/65	26,550	
	7,375	Profits Tax to 30th April, 1963 (Balance)	900	
	9,900	Profits Tax to 30th April, 1964	11,900	
	105	Unclaimed Dividends	127	
		Dividends (less Income Tax):		
	1,072	Preference	1,072	
	17,226	Ordinary	22,969	
72,261				88,184
362,855				398,550

1963 £	1963 £		Net Book Value at April 30/48 £	Additions since April 30/48 £	Depreciation since April 30/48 £	Net. £
		(1) FIXED ASSETS:				
24,609		Freehold and Leasehold Land and Buildings	—	30,382	6,653	23,729
56,793		Plant and Machinery	1,460	128,358	75,333	54,485
5,380		Fixtures and Fittings	322	10,447	5,221	5,548
2,584		Office Furniture	298	4,312	2,284	2,326
4,984		Motor Vehicles	—	15,633	10,837	4,796
1,513		Heating Apparatus	—	2,185	592	1,593
95,863			2,080	191,317	100,920	92,477
22,427		(2) PREMIUM AT WHICH SHARES OF SUBSIDIARY COMPANY ARE HELD IN THE BOOKS OF THE HOLDING COMPANY				22,427
		(3) ASSOCIATED COMPANY:				
		Ratcliffe Iberica S.A.:				
	37,500	Share Capital		37,500		
	6,519	Current Account		7,137		
44,019						44,637
1,656		(4) LOANS ON MORTGAGE ON SALE OF PROPERTY				1,406
		(5) CURRENT ASSETS:				
	44,713	Stock on Hand and Work in Progress as certified by the Managing Director		38,745		
		Trade Debtors and Expenses Prepaid less				
	99,047	Reserve for Bad Debts		102,875		
	25,000	Tax Reserve Certificate		25,000		
	30,130	Cash at Bank and in hand		70,983		
198,890						237,603
362,855						398,550

F. S. RATCLIFFE
E. B. CHAPMAN } Directors

NOTES—1. The Company has the right, on giving not less than three months' previous notice in writing expiring on or after the 31st December, 1960, to redeem all or (by drawings), any part of the Preference Shares at the price of 25/- per Share. Preference Shares will rank for dividend down to the due date for redemption.

2. Capital Commitments have been entered into for £8,929 in respect of Plant and Machinery.

chairman's statement (or review) – but this is not a statutory document and is an evolution of the chairman's speech at the annual meeting which, as we often urged in earlier days, is of so much more interest and value when circulated with the accounts in advance of the meeting.

As for the proposed dividend and reserve appropriations, these figures are given in the actual accounts so their inclusion in the directors' report becomes mere repetition. Even so, it is arguable to say that there is compliance when the report merely gives a 'cross reference' to the appropriations elsewhere in the accounts. And where the letter of the law is heeded and the details appear in the report, more often than not there are no comparative figures.

Duplication

However, a company which cannot be faulted in this respect is Ratcliffe Springs Ltd, a Rochdale company specializing in the production of scientific and precision springs, including engine valve springs, whose accounts are the subject of this week's reprint, with the directors' report included.

In this instance, the repetition of figures is particularly noticeable by the positioning of the directors' report on the left, and the consolidated profit and loss account on the right, of the page opening.

Modern developments in company reporting have surely rendered section 157 of the 1948 Companies Act out of date. It is somewhat extraordinary that the directors' report, as such, seems never to be mentioned in relation to company law reform; but as far as we can see it serves little useful purpose these days. Readers having other views may care to express them.

There was even an instance, some years ago, where, in the matter of appropriations, the requirements of section 157 were combined with the profit and loss account, and the statement was headed, 'Directors' Report and Profit and Loss Account'. To our knowledge there were no repercussions!

RATCLIFFE'S SPRINGS LTD
AND ITS SUBSIDIARY F. S. RATCLIFFE (ROCHDALE) LTD

DIRECTORS' REPORT

The Directors have pleasure in submitting a copy of their report, together with the audited accounts of your Company, for the year ended 30th April, 1964.

1963 £	1963 £		£	£
62,343		Profit on Trading for Year after charging Expenses		79,021
1,300		*Add* Royalties — Ratcliffe Iberica S.A.		2,255
63,643				81,276
36,450		Taxation based on Profit for Year		44,200
27,193				37,076
3,232		*Add* Taxation Adjustments		987
39,417		Balance of Unappropriated Profits at 30th April, 1963 brought forward		51,544
69,842		**LEAVING A DISPOSABLE BALANCE OF**		89,607
		which the Directors recommend should be applied as follows: *Dividends (less Income Tax)*:		
	1,072	Preference Dividend of 7%	1,072	
18,298	17,226	Ordinary Dividend of 20%	22,969	24,041
51,544		**LEAVING TO BE CARRIED FORWARD**		65,566

The Director retiring by rotation, Mr C. H. Thomas, being eligible, offers himself for re-election.

Under the provisions of the Companies Act 1948, the Auditors, Messrs. Stott and Golland, continue in office.

BY ORDER OF THE BOARD,

MARJORIE PLANE

Secretary.

Dated this 8th day of July, 1964.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the Year ended 30th April, 1964.

1963 £	1963 £		£	£
62,343		**PROFIT ON TRADING AFTER CHARGING:—**		79,021
	7,607	Directors' Salaries	7,658	
	1,637	Directors' Pension Scheme	1,786	
	2,627	Directors' Commission	4,586	
	800	Directors' Fees	800	
	12,262	Depreciation	13,119	
	1,747	Registrar's Fees and Expenses	1,990	
	350	Auditors' Remuneration	350	
1,300		Royalties—Radcliffe Iberica S.A.		2,225
63,643		**PROFIT FOR THE YEAR BEFORE TAXATION**		81,276
		TAXATION ESTIMATED TO BE PAYABLE ON THE PROFITS OF THE YEAR:—		
	9,900	Profits Tax	11,900	
36,450	26,550	Income Tax	32,300	44,200
27,193		**PROFIT AFTER TAXATION**		37,076

APPROPRIATION ACCOUNT

for the year ended 30th April, 1964.

1963 £	1963 £		£	£
39,417		Balance of Unappropriated Profits at 30th April, 1963		51,544
27,193		*Add* Net Profit for Year		37,076
3,232		Taxation Adjustments		987
69,842		**AVAILABLE FOR ALLOCATION**		89,607
		Dividends (less Income Tax):—		
	1,072	Preference Dividend of 7%	1,072	
18,298	17,226	(15%) Proposed Ordinary Dividend of 20%	22,969	24,041
		Balance carried forward:		
	23	Holding Company	29	
	51,521	Subsidiary Company	65,537	
51,544				65,566

CITY NOTES

WITH the General Election campaign in full swing, the performance of the stock-market hardly suggests any deep doubts as to the election outcome. A deal of presumption must be acknowledged in assessing that a firm stock-market forecasts a Conservative election victory.

Were a Conservative failure envisaged then, presumably, there would be selling of equities. However, due note must always be made of the fact that the average investor rarely brings himself to sell on something that may happen and only reluctantly sells when it has.

Some brokers, all the same, profess to detect the same kind of small investor buying in the market as preceded the 1959 election when the stock-market proved a more accurate forecaster of the election result than did the political polls.

The strength of the stock-market, moreover, could reflect the point that the public in general, and possibly investors in particular, rarely believe what the politicians of any political party say under the stress of General Election campaigning.

Be that as it may, the stock-market stays almost obstinately firm. Small buying on a technically thin market is enough to keep prices on the rise and the size of option business in steel and property shares is a particular pointer to the political view that investors and speculators are taking.

A NEW development in international borrowing on the London capital market is the arrangement of a £4 million sterling-deutschmark 20 year 6½ per cent loan for the City of Turin. The loan is the first since the war to be expressed in sterling with an option clause in a second currency.

Arrangements for the loan are with a banking consortium consisting of S. G. Warburg & Co, Deutsch Bank, Banque de Paris et des Pays-Bas, Banque de Bruxelles and Rotterdamsche Bank. The bonds will be quoted for settlement in deutschmarks on the London Stock Exchange and will also be quoted on the Luxembourg stock-market.

* * * *

FAILURE of the Duomatic direct selling washing machine company so soon after the Rolls Razor crash must point to a common denominator of circumstances. It is assumed to be the drying up of the impulse buying market. Big scale advertising has failed to 'pull'. People have left off filling in the advertisement coupons.

Falling sales have uncovered costs. The direct sales companies injected a major degree of competition into the washing machine industry but, with sales falling, they have not proved able finally to meet that competition so well as the traditional selling companies dominated by the powerful electrical equipment and domestic appliance groups.

RATES AND PRICES

Closing and quarter-end prices, Wednesday, September 30th, 1964

Tax Reserve Certificates: interest rate 19.3.64 2¾%

Bank Rate

July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%

Money Rates

Day to day	3⅜–4½%	*Bank Bills*	
7 days	3¼–4⅜%	2 months	4 13/16–4⅞%
Fine Trade Bills		3 months	4 13/16–4⅞%
3 months	5¾–6¼%	4 months	4 13/16–4⅞%
4 months	5¾–6¼%	6 months	4⅞–4 15/16%
6 months	6–7%		

Treasury Bills

July 24	£4 12*s* 11·95*d*%	Aug. 28	£4 13*s* 1·47*d*%
July 31	£4 13*s* 1·03*d*%	Sept. 4	£4 13*s* 1·26*d*%
Aug. 7	£4 13*s* 0·79*d*%	Sept. 11	£4 13*s* 0·57*d*%
Aug. 14	£4 13*s* 0·21*d*%	Sept. 18	£4 13*s* 0·70*d*%
Aug. 21	£4 13*s* 0·98*d*%	Sept. 25	£4 13*s* 0·80*d*%

Foreign Exchanges

New York	2·78 11/32	Frankfurt	11·06¼
Montreal	2·99 7/32	Milan	1739
Amsterdam	10·04⅜	Oslo	19·93¾
Brussels	138·22	Paris	13·64
Copenhagen	19·27¼	Zürich	12·02¼

Gilt-edged

Consols 4%	64 13/16	Funding 3% 59–69	90 3/32
Consols 2½%	41 5/16	Savings 3% 60–70	86¾
Conversion 6% 1972	102⅞	Savings 3% 65–75	77 15/16
Conversion 5¼% 1974	98 1/16	Savings 2½% 64–67	92 29/32
Conversion 5% 1971	97⅝	Treasury 5½% 2008–12	90¼
Conversion 3½% 1969	91 23/32	Treasury 5% 86–89	86 3/16
Conversion 3½%	56 11/16	Treasury 3½% 77–80	76 13/16
Funding 5½% 82–84	95¾	Treasury 3½% 79–81	75 9/16
Funding 4% 60–90	92 5/16xd	Treasury 2½%	40⅞
Funding 3½% 99–04	64 5/16	Victory 4%	98¼
Funding 3% 66–68	91	War Loan 3½%	57⅝

Business Efficiency Exhibition

A WIDE range of office equipment, many items being shown for the first time, will be displayed by 150 companies taking part in the Business Efficiency Exhibition at London's Olympia next week from October 6th to 14th. Valued at some £10 million, the machinery and other equipment will be on view to the public daily from 10 a.m. to 7 p.m. Admission to the exhibition is 3*s* 6*d*.

On Monday – a special preview day for the industry's guests and the Press – Lord Thomson of Fleet, chairman of the Thomson Organization, will tour some of the stands before officially opening the exhibition.

Equipment on show includes computers, office printing and composing machines, calculators, accounting machines, dictating equipment, closed-circuit television, radio telephones, wage-paying machinery, charting and planning boards, duplicators, typewriters, photocopiers, furniture, safes and strongroom equipment, cash registers, addressing machines, filing systems, postal franking machines and cheque-writing machines.

The Institute of Reprographic Technology is holding a one-day symposium on *In-Plant Printing* at the exhibition on Tuesday. Fees, which include admittance to the B.E.E., attendance at the symposium and afternoon tea, are 21*s* for I.R.T. members and 31*s* 6*d* for non-members. Tickets and details are available from the I.R.T. Secretary, 167 Victoria Street, London SW1.

New Compatible Series of Computers

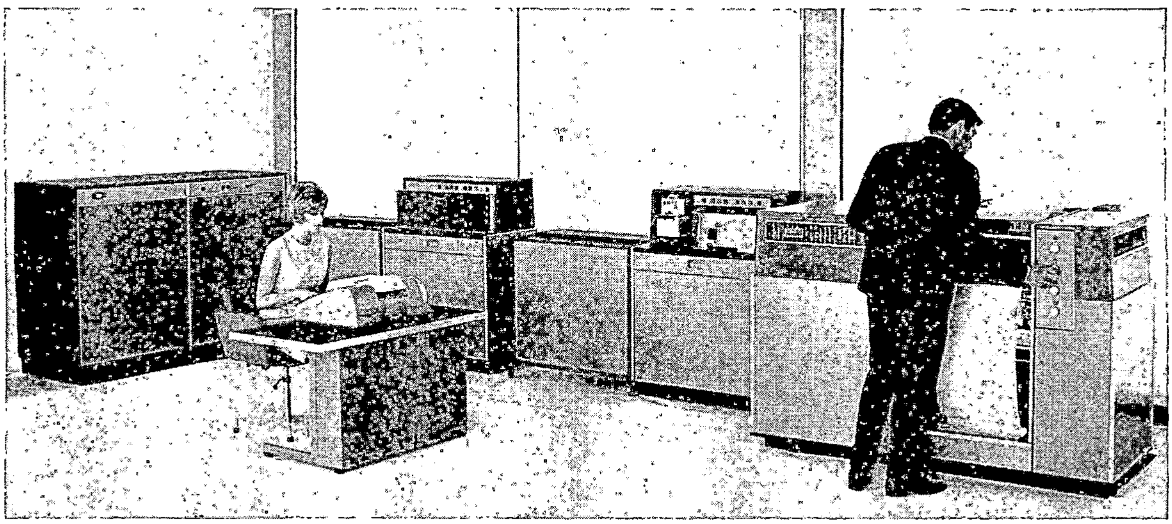
ON show for the first time, following its introduction on Monday of this week, will be the I.C.T. 1900 Series – a comprehensive range of compatible computer systems. This flexible new range gives the user freedom to augment or modify his installation to meet changing requirements, without sacrificing his investment in programming or in peripheral equipment. The series has been designed so that as the user's computing needs change, any peripheral units can be replaced, simply and rapidly.

The range is designed around the concept of 'standard interface' through which standardized sets of signals transfer information between processors and peripheral devices. Thus it is a simple operation to attach peripherals to all existing processors; conversely, a more powerful central processor may be substituted and the existing peripheral units retained. The flexibility of this technique allows for the tailoring of each system to meet the present needs of the user, and yet permits the system to be modified easily and quickly to satisfy changing requirements. Comprehensive and simple programming languages, common to every central processor in the series, are available. A program written for the smallest system will run on the largest.

The 1900 Series, deliveries of which will begin within a year, ranges from a basic configuration costing £40,000 for routine accounting, to more sophisticated systems suitable for the most complex commercial and scientific work, costing £750,000 or more. As shown in the photograph, a minimum installation might comprise a central processor, the operator's console typewriter, a paper tape punch, a paper tape reader, and a line printer. In all, seven central processors will be available.

There is no doubt that the introduction of this new range marks a significant advance within the British computer industry.

International Computers and Tabulators Ltd, 17 Old Park Lane, London W1. (Stand 61).



The New ICT 1900 Series Computer Installation

THE latest in the Univac range of computers, the *1050* series, will make its début in this country at Olympia where it is a major exhibit on the Remington stand. The equipment is competitively priced in the range from £40,000–£400,000.

There are already forty-five installations of the *Univac 1050* throughout the world and 230 more are on order. So far, thirty have been installed or are on order for commercial customers in Europe, installation having begun in June with a system for the Canton of Geneva. The United States Air Force is currently planning to install twenty systems in Europe and the United Kingdom.

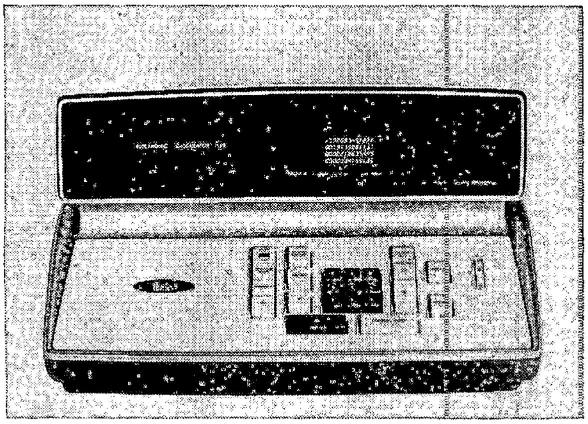
The *1050* can be built to individual requirements from any permutation of a whole family of units. These include two speeds of central processor; two speeds of card or paper tape readers, punches and output printers; magnetic tape units, random access drums and communications peripherals.

Remington Rand Ltd, 65 Holborn Viaduct, London EC1 (Stand 18/58).

Accounting and Calculating

THE *Model 130* electronic calculator is one of two new machines being shown by Friden, the other being the *5010* electronic computyper. The *130* has no moving parts, all calculations are performed by electronic components. The answers to calculations appear instantaneously on a cathode-ray tube, similar to a small television screen. Operated through a ten-key board, this machine calculates in milliseconds. Measuring 18×21×10 in. and weighing 50 lb. the *Model 130* is suitable for a wide range of business, engineering and scientific calculations.

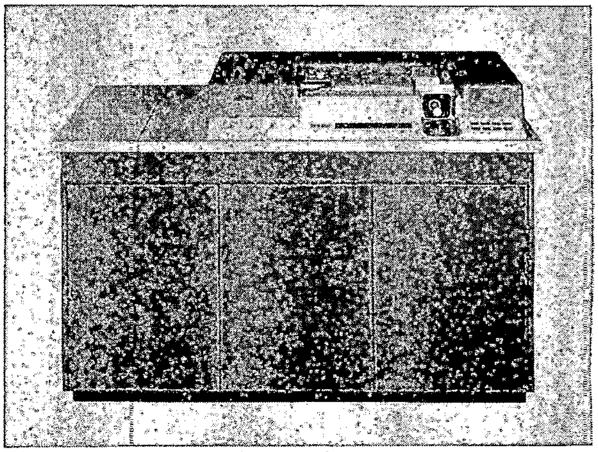
Friden Ltd, 101 Blackfriars Road, London SE1 (Stand 71/73).



Friden 130 Electronic Calculator

A HIGHLIGHT of the NCR display will be the first public showing of the new *420 Optical Reader*. With a special font of slightly stylized numbers and symbols, this system enables the audit rolls produced by cash registers and other machines to be read electronically and either converted to punched paper tape or fed direct to a computer. The *420* – already in use in the U.S.A. – reads audit rolls at the rate of twenty-six lines (or 250 characters) per second.

The special type face, known as the *NCR Optical Font*, consists of the numbers 0 to 9 and six symbols. Like *E13B*, the numbers can be read by eye as well as electronically.



The New NCR420 Optical Reader

National Cash Register Co Ltd, 206 Marylebone Road, London N1 (Stand 17).

THE new *Minerva Master* is an attractively styled barrel-calculator; it provides the usual capacity of 10×8×13 in., with full tens transmission in all registers and back-transfer for continuous multiplication. Priced at £50, this machine is suited for office or school use.

Broughton & Co (Bristol) Ltd, 6 Priory Road, Bristol 8 (Stand 15).

THE *Contatronic 389* is a low cost, desk-size computer, designed to prepare invoices with line-by-line purchase tax and discounts. Other programs are available for analysis, export-invoice, insurance and banking procedures, etc. Where an output is required for processing by a larger computer, the program will produce the necessary by-product tape, complete with instructions to the computer to present the information in the required format. Backing and input/output consists of sixteen stores with a capacity of ten digits plus sign.

Ultra Electronics Ltd, 35 Park Royal Road, London NW10 (Stand 65/78).

APART from its sterling calculation the *Numeria Model 8725* is also a complete decimal calculator. An hour's instruction is said to be adequate even for junior office staff to be able to use the machine for invoice checking, stock valuation, percentages, costings, specifications, etc. This desk calculator, capable of multiplying direct in £ *s d*, costs £198.

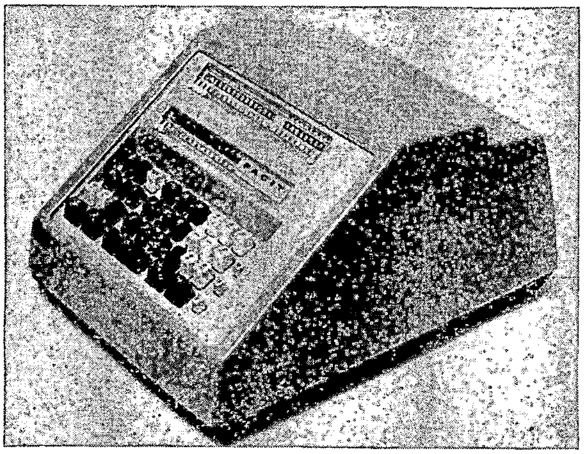
B.O.S.C.O. Ltd, 6 Snow Hill, London EC1 (Stand 37/54).

THE *Model CA2-16* is the latest addition to the Facit range of calculating machines; it is an automatic model which employs the ten-key Facit control board. The capacity of the *CA2-16* is eleven digits in the setting register, nine digits in the multiplier or quotient register and sixteen digits in the product register. The machine has facilities for short-cut multiplication and automatic squaring and cubing.

On the same stand is the new *Bandacheck*; this is designed to meet the need for an inexpensive desk-top

machine that eliminates the tedious and time absorbing hand counting of bank notes. New, used or mixed notes are counted by simply placing a bundle into the feed-hopper. The *Bandacheck* counts them at the speed of one hundred in under seven seconds, and stacks them neatly in the receiving hopper in batches of fifty or a hundred. When the notes are passed through the machine, they interrupt a beam to operate an electronic counter. The feed rollers are so sensitive that if two notes stick together the machine will stop.

Block & Anderson Ltd, Cambridge Grove, London W6 (Stand 59).



Facit CA2–16 Automatic Calculating Machine

TO be demonstrated for the first time at the exhibition is the new Remington *Miniputer*, an electronic invoicing machine that is as easy to use as a typewriter. Yet it is capable of performing sterling calculations at 166 calculations a second and printing out the result at ten characters a second. Because the *Miniputer* uses computer principles and logic it can cope with such varying calculations as tons, hundredweights, quarters, dozens and twelfths, yards, feet and inches, and, in fact, any calculation to be found in industry and commerce.

The typewriter keyboard has forty-six characters and there is an adjustable platen for multi-part documents, a quick-feed lever, automatic carriage return, touch control and three variable intermediate carriage return positions.

Remington Rand Ltd, 65 Holborn Viaduct, London EC1 (Stand 18/58).

THE Adler *Factura* sterling invoicing machine is a sterling version of the decimal invoicing machine. It carries out extensions and aggregation automatically whilst the operator is typing the invoice. Also available with punched-tape output for computer analysis.

Office & Electronic Machines Ltd, 140 Borough High Street, London SE1 (Stand 44/45).

THE *Introptic* is a new data-processing machine developed from the *Intracont* accounting machine; its secret is the transistorized reader which scans figures optically at eighteen digits a second, then electronically verifies each figure before transmission to the accounting machine The *Introptic* is available with one cross-footer and six, twelve or twenty-four vertical registers, all of which are capable of accepting transmission of figures from the optical reader.

Ruf Organization Ltd, Imperial Buildings, Horley, Surrey (Stand 153).

THE new range of *ADM Teacher* hand calculators will be shown at Olympia for the first time. These are robust machines suitable for the smaller office and for school use. They are made to withstand rough treatment and incorporate locks to prevent mis-operation. Though incorporating all the basic features of modern desk calculators, including a re-set transfer device and dual-clearance lever the number of controls has been reduced. The price range of these portable machines is from £35 to £68.

Archimedes-Diehl Machine Co Ltd, Chandos House, Buckingham Gate, London SW1 (Stand 149).

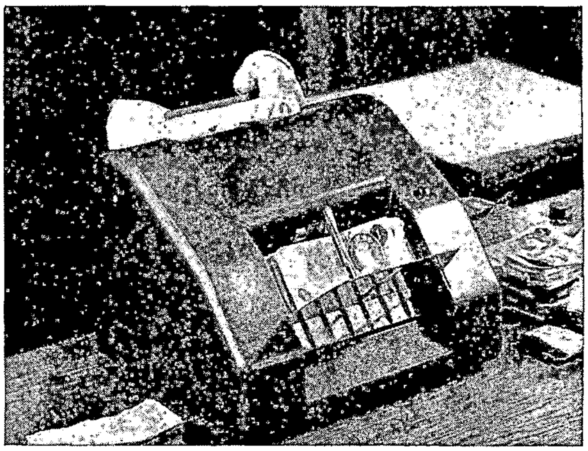
THE new *Siemag Multiquick* sterling invoicing machine, which is electro-mechanical, not only carries out direct sterling calculations and calculates in weights and measures, but also automatically analyses and stores the various totals as it records the results on the invoice. No decimal conversions by the operator are necessary.

Several *Siemag Multiquick* machines have already been delivered in Britain and others are in process of being installed. Three models are available – *MQ3*, *MQ5* and *MQ12*, with three, five and twelve registers respectively. They come in various carriage lengths and the *Siemag* can also be used for book-keeping. Up to two pairs of factor stores may be fitted for automatic application of constants and an eighty-column punched-card output unit can be obtained if required. Next year, tape output will become available.

Logabax Ltd, 21 Buckingham Palace Road, London SW1 (Stand 84).

ADDO will be showing a new accounting machine – the *Model 8000*; this incorporates the well-known I.B.M. *Model 72* typewriter. The *Class 6000* accounting machine will be featured as a 'Budget priced accounting machine' in that its price is only £365, and yet it is automatic and readily capable of handling all the routine accounting problems of the smaller and medium-sized firm.

Addo Ltd, 47 Worship Street, London EC1 (Stand 16/145).



Bandacheck Counting Machine

Addressing and Mailing

THE Pitney-Bowes *Model 150* hand-operated addresser-printer is about the same size as a desk telephone; it is useful in the office or factory for printing from embossed plates such repetitive data as addresses on statements and labels, and for the preparation of ledger cards, time sheets, etc.

The *Model 95* keyboard embossing machine for address plates is on show for the first time; it enables address plates to be prepared much faster and with less effort than the previous kind of Pitney-Bowes machine. It is fitted with a standard typewriter keyboard and is power-operated. The *95* can be supplied with either elite or pica type and has an alphabet of both capital and lower-case letters, two sets of numbers – large and small – punctuations and abbreviations, and normal and large blankers; it also has automatic carriage return and line spacing.

Pitney-Bowes Ltd, Harlow, Essex (Stand 39).

ON show for the first time is an embossed plate printer – the Addressograph *Class 5000*. This has a choice of manual or automatic control; the latter takes over some of the operator's work when required, and allows the operator to do related jobs while the machine is getting on with the main task. The operating speed is from 6,000–7,500 cycles an hour. A new multiple-release carbon-ribbon gives clean, sharp character formation without ribbon weave or smudging. Other features include an Addressograph sixty-position selector.

Addressograph-Multigraph Ltd, Maylands Avenue, Hemel Hempstead, Herts (Stand 22/34).

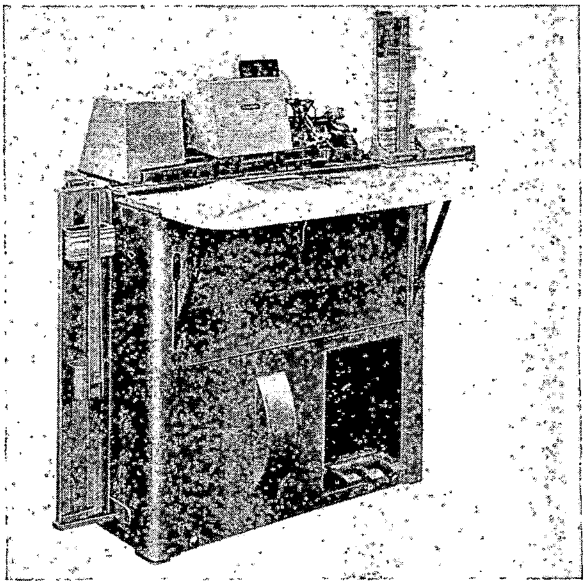
A FEATURE of the *880E* addresser is the remote-control pedal that leaves the operator's hands free to feed the material to be addressed. This Elliott machine is a desk-top model that weighs 50 lb. and measures 16×16×31 in. The same kind of typewriter-prepared address stencil is used on the Elliott *Model 3000* – a larger machine with an operating speed of 4,000 impressions an hour. It will print on almost any size of sheet or envelope and can be used to head-up ledger cards and stock-sheets or to list or to sort. On the Elliott stand for the first time at the exhibition is the *Sten-C-Labl* package-addressing unit. By means of a simple self-inking hand applicator, a consignment of forty packages can be addressed in a minute.

Elliott Business Machines Ltd, Browells Lane, Feltham, Middlesex (Stand 63/80).

OF special interest is the Pitney-Bowes *5000* series of franking machines. These have two unusual features – a built-in envelope sealing device and a detachable postage meter. This overcomes the objection to previous models that the whole machine had to be taken to the post office whenever the meter required further G.P.O. credits. Now, even the frailest of juniors would hardly object to carrying a small unit weighing less than a portable typewriter. The envelope-sealing facility in the *5000* series eliminates a serious bottleneck in 'catching the post' and should do much to remove an irksome chore from the office junior's life.

Pitney-Bowes Ltd, Harlow, Essex (Stand 39).

THE latest machine in the Phillipsburg series is the *Messenger*, a two-station inserter that can be mounted



Elliott Model 3000 Addresser

on a desk; it automatically opens envelopes, inserts the enclosures, counts and stacks envelopes with flaps open or closed, sealed or unsealed – at a rate of 5,000 items per hour. The *Messenger*, which weighs 370 lb., can be supplied for desk-top use or complete with a trolley.

Roneo-Neopost Ltd, Lion House, Richmond, Surrey (Stand 127).

Communicating and Dictating

THERE is a new range of sub-stations for both the Dictograph and Dictomatic internal telephone systems. The new look of these sub-stations combines the latest design and electronic technique so that the instrument will fit in with the most modern of office décors. Redesigned circuitry and a new type of handset gives much higher speech quality than is normally associated with this type of instrument. The operating keys are extremely positive in action; the illuminated indicator panels clearly show when a master station is calling, to ensure priority of calls.

Dictograph Telephones Ltd, Abbey House, Westminster, London SW1 (Stand 12).

A TRANSISTORIZED-CONTROL system capable of operation with one or more master controls and up to one hundred and twenty sub-stations is being shown by Centrum Electronics. Designed for installation where it is unnecessary for sub-stations to intercommunicate, the system is particularly valuable for production-control networks where multiple process or production units are involved. The first unit in Britain is on test with Air France to co-ordinate passenger reception, luggage handling and control of passengers generally from checking-in time until boarding the aircraft. Three standard systems are available, catering for 10–40 lines, 15–60 lines and 45–120 lines.

Centrum Electronics Ltd, Terminal House, Grosvenor Gardens, London SW1 (Stand 130).

THE *Minifon Office* dictation system, the result of over five years' development by the German organization Telefunken, is on Stand 25. Priced at £95 11*s* this dictation/transcription machine is fully transistorized and for A.C. mains operation. Easy loading twin-track tape cassettes give a choice of 6–12, 15–30 or 30–60 minutes' recording.

Clarke & Smith Office Equipment Ltd, Hanworth Air Park, Feltham, Middlesex (Stand 25).

SMALL enough to fit into the glove compartment of most cars, the transistorized *Envoy Compact* is a portable battery-operated dictating machine. It weighs 4 lb. and costs £71, complete with microphone and leather carrying case. Recording time is two hours on dual track, double-play magnetic tape.

Thomas A. Edison Ltd, Victoria House, Southampton Row, London WC1 (Stand 68).

THE transistorized Ansafone *Mark 5* telephone-answering machine, a compact unit, will answer a caller automatically with the owner's own recorded message, this may be from five to twenty-five seconds' duration. The *Mark 5* does not in any way immobilize the telephone and can be used to record both sides of a telephone conversation. The rental cost is as low as 2*d* an hour.

Ansafone Ltd, 67 Jermyn Street, London SW1 (Stand 148).

Copying

THE *Thermal 14* dyeline copier uses paper in which is incorporated the coupler and dye of the diazo process; thus, ammonia gas or liquids are not required for image development. Light from a 1,200-watt lamp creates the image that is developed by heat inside the machine. The cost per quarto copy is approximately 1*d* and the machine has a print speed of some forty copies a minute. Naturally, the originals must be one-sided only and must be reasonably or quite translucent.

Block & Anderson Ltd, Cambridge Grove, London W6 (Stand 59).

THE *Bruning 2000* copier on the Addressograph-Multigraph Stand (22/34) is making its début at Olympia; this machine makes its copies on paper coated with a zinc oxide. It is claimed that the *2000* will give good, black solids and quality half-tones. There is an exposure control that enables copy density to be varied and thereby poor originals can be improved upon. The speed of operation, fourteen copies a minute, is unusually high for this kind of machine and there is an added bonus – every copy can be used as an offset-litho master.

Addressograph-Multigraph Ltd, Maylands Avenue, Hemel Hempstead, Herts (Stand 22/34).

THE *Xerox 813* copier uses the same principle as the well-established *914* copier, but the maximum size of copy paper it uses is $8\frac{1}{2} \times 13$ in., while the minimum size of copy paper is 8×10 in. Like the *914*, of course, the paper used can be of almost any kind, though a smooth-surfaced variety is preferable.

On the front of the *813* is a dial numbered from 1 to 10; this is set for the required number of copies and the original is fed into the machine. Copies, reduced by some 6 per cent in image area, are produced at the rate of five a minute.

Readers visiting Olympia may like to note that Volumes I to III of the new *Manual of Computer Systems*, edited by Brian A. Maynard, M.A., F.C.A., A.C.W.A., and published by Gee & Co (Publishers) Ltd, will be available for inspection during the period of the Exhibition on the stand of *Business Equipment Digest* (Stand 140).

The *813*, unlike the *914*, has no automatic cut-out so that it is switched on and can be left on all day; the correct temperature for fusing the image to the copy paper is controlled by a thermostat. Copy paper (up to two hundred sheets) is stored within the machine so the user has only to feed in the original and to recharge the feed tray occasionally.

Rank Xerox Ltd, 84 Gt Portland Street, London W1 (Stand 19).

Duplicating and Printing

A DUPLICATOR that uses no stencils, ink, spirit or liquids is being shown by Ellams. This is the *Dri-Master* with which reproduction takes place by means of chemical reaction in the treated copy paper used. This machine, which costs £30, is portable and weighs 38 lb. Copies can be produced from either typed or hand-drawn masters.

Ellams Duplicator Co Ltd, Walton Road, Watford, Herts (Stand 118).

THE *Model 380 Gestetner* is a brief-size, stencil duplicator which can feed paper up to $14\frac{1}{2} \times 17\frac{1}{4}$ in. or postcards as small as 3×5 in. One can print from a double foolscap stencil, one foolscap stencil or two foolscap stencils side by side on the *Model S366*. Larger side guides to the feed stack are said to have improved still further the registration ability of the machine so that two-colour work should be easier and more accurately done.

Gestetner Duplicators (BSO) Ltd, 210 Euston Road, London NW1 (Stand 30).

THE new *Omal-Rex* horizontal collator has twelve stationers; it is claimed to be capable of operation at a rate equivalent to 15,000 sheets an hour or 25×12-sheet sets a minute. Paper sizes that can be loaded in the stations are from 3×5 in. to 12×22 in.

Office Machinery Ltd, 169 Tottenham Court Road, London W1 (Stand 119).

THE *Model 200* offset-litho machine occupies the same amount of floor space (about 30×24 in.) as would a cabinet-mounted stencil duplicator. It has a friction feed and the tray can be loaded with approximately five hundred sheets at a time. Sheets from 3×5 in. to 10×15 in. can be fed and the maximum area is $9\frac{3}{4} \times 13\frac{1}{4}$ in. In its basic design, the *Model 200* costs £595 but three attachments available are an automatic plate etcher, blanket-cleaning unit and automatic counter and stop control. These three attachments make the machine suitable for short-run systems and the printing of material such as order/invoices, export invoices, etc.

Gestetner Duplicators (BSO) Ltd, 210 Euston Road, London W1 (Stand 30).

Filing

A NEW lateral suspension filing system is being shown on Stand 138. It consists of a system of linked filing pockets, each pocket is fitted with a strong metal title holder and insert title.

Jetleys (Gt Britain) Ltd, 172 Buckingham Palace Road, London SW1 (Stand 138).

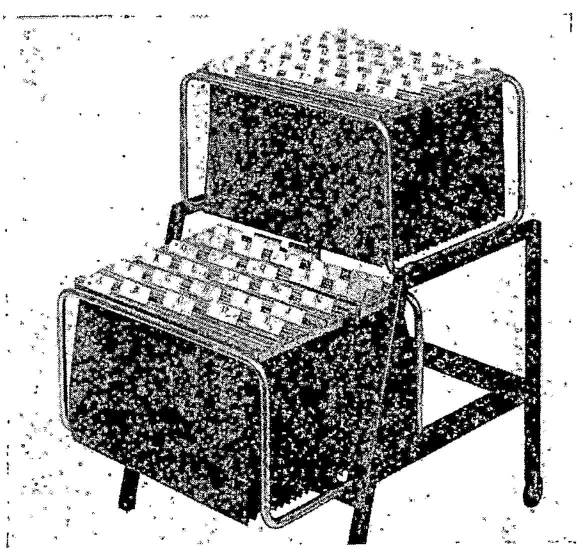
THE new *F.R.* series of fire-resisting filing capinets, designed to give protection in excess of the accepted standards for this type of equipment, are being shown by Chatwood-Milner. Independently witnessed tests have proved these cabinets to withstand furnace temperatures rising to 1,750°F. for one hour in accordance with the B.S.I. Curve, followed by a 30 ft. drop, inversion and immediate return to the furnace with temperature rising to 1,790°F. for a further half hour.

Chatwood-Milner Ltd, 58 Holborn Viaduct, London EC1 (Stand 32).

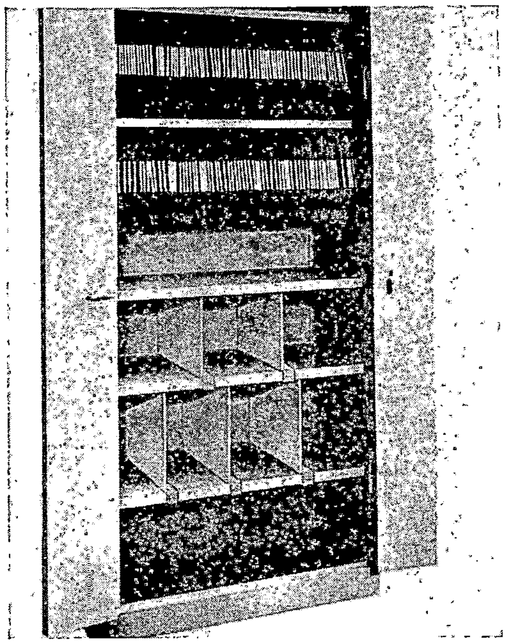
A NEW *Twinlock* mobile-filing unit will be welcomed by executives, secretaries and heads of departments who frequently need to have their most active files within arm's reach. It will also be very popular with filing clerks of large organizations who will find it an ideal sorter file. The unit comprises two *Desk Organizers* mounted on an easily assembled frame. Each chassis holds up to fifty *Vetro Mobil* foolscap or sixty-five quarto suspension folders, and the lower chassis slides out to facilitate access. Wheels are fitted to the rear legs of the frame, and by lifting the front slightly, the unit can be moved with ease. When in use, the front feet hold the unit steady; a dust cover is provided at no extra charge.

Percy Jones (Twinlock) Ltd, Twinlock Works, Beckenham, Kent (Stand 142).

TBS have produced a device that is capable of holding plans of varying sizes without recourse to punching or special fixings in any way. Consequently the plans are not damaged or creased and can be photocopied accurately. A great boon of the system is that all sizes of plans relevant to a project can be housed in one file



Twinlock Mobile Filing Unit



A Triumph Combination Cupboard Unit

instead of several. The housing units will be of similar construction to the range of *Triumph* cupboards.

T.B.S. (South Wales) Ltd, Triumph Works, Merthyr Tydfil, Glamorgan (Stand 95).

Microfilming

CENTREPIECE of the *Recordak* exhibits is the *Miracode* microfilm retrieval system, which enables any one of more than nine hundred thousand images to be retrieved in less than fifteen seconds. The basis of the equipment is coded magazines, each of which could contain 2,000 images.

The coded microfilm is scanned at the rate of 10 ft. a second. The first page of a document which answers the search request is located and is automatically displayed, ready for viewing or print-out. Other documents answering the same code may be located by merely pressing the search button again.

Even if a file category requires the loading and unloading of as many as five full microfilm magazines, which could contain as many as ten thousand images, the entire category search time would be less than two and a half minutes. Of course, if the category is contained in only one film magazine, the total search time is only ten seconds.

Kodak Ltd, 246 High Holborn, London WC1 (Stand 23).

THE *Quadrant* has been designed as a microfilm print-out machine acting in conjunction with the *1000D* processor camera. The *1000D* will photograph four foolscap office documents, and develop and deliver the film mounted on to a *Filmsort* aperture card at the touch of a button in under a minute. With the *Quadrant* it is possible to select any one of the four films and, in ten seconds, produce a print at around 3*d* a copy.

Minnesota Mining & Manufacturing Co Ltd, 3M House, Wigmore Street, London W1 (Stand 24).

Cost Accountants' Summer School

RESIDENTIAL COURSE AT CAMBRIDGE

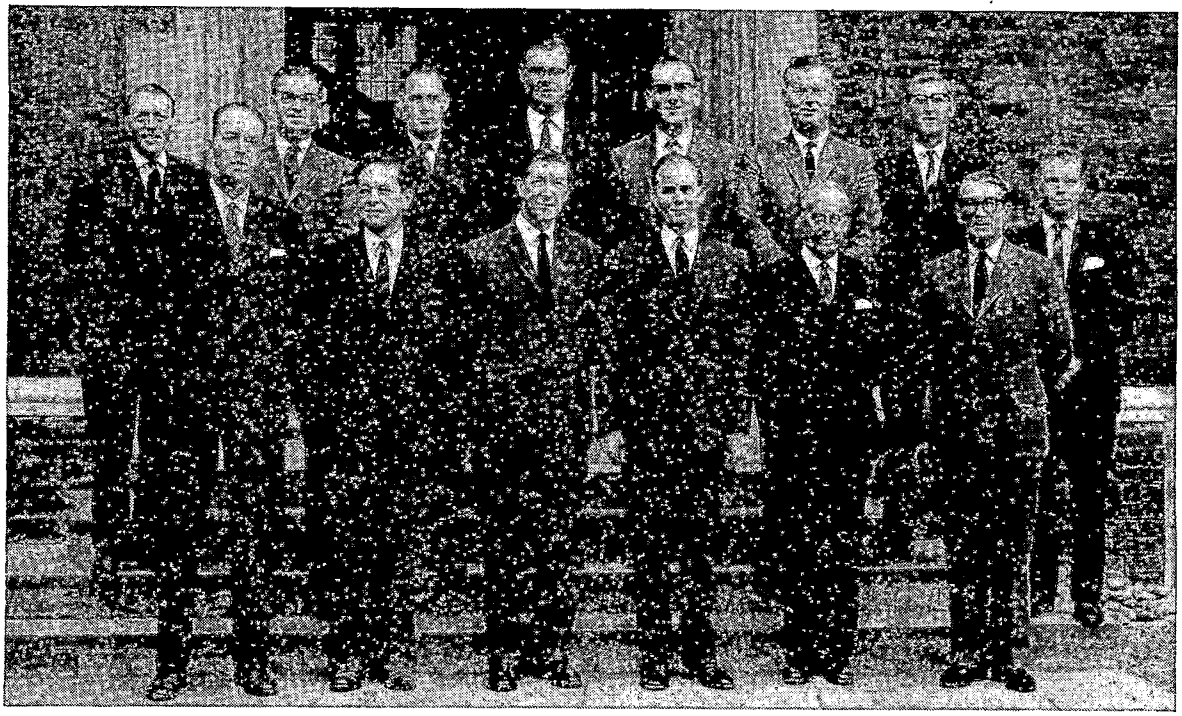
NEARLY one hundred members and registered students attended the fifteenth Summer School of The Institute of Cost and Works Accountants held at St Catharine's College, Cambridge, from September 25th to 29th. Three papers were presented: 'Computers – the challenge to industrial accountants', by Mr L. W. Rice, B.SC.(ECON.), F.C.W.A., A.C.I.S., organization and development accountant, Esso Petroleum Co Ltd, Southampton; 'Standard marginal costing in action – a case study', by Mr Denis C. Edis, F.C.W.A., M.B.I.M., of Birmid Industries Ltd; and 'Establishment of key factors for control purposes', by Mr J. F. Body, F.C.A., F.C.W.A., group chief accountant, Newton Chambers & Co Ltd. In addition, Professor N. A. Dudley, PH.D., of the University of Birmingham, addressed the School and his talk on 'The impact of engineering production research on industrial management' was followed by open discussion.

Computers – The Challenge to Industrial Accountants

In the first paper, Mr L. W. Rice said that the computer was 'just the machine cost accountants had always wanted'. It was able to handle vast amounts of data, do calculations of every type, print out results in any desired form and indicate exceptions requiring action – all at fantastically high speed. Most industrial concerns, he said, would find the use of a computer a profitable venture; the outlay would be recouped (*a*) by reducing the cost of clerical operation and (*b*) by increasing profit through the better analysis of manufacturing costs, selling methods, inventory expenses, etc. He added that if a full-time computer could not be justified it was now possible, of course, to rent facilities by the hour at a computer bureau.

Many companies, said Mr Rice, had proved that basic accounting work could be done more cheaply, more quickly and more efficiently on a computer. Eliminating clerical work, however, only touched the fringe of computer applications in commerce; there was a need to develop and expand a whole range of computer-based management accounting services. This called for creative thinking to cover every cost angle from new methods to new products. There was now a real challenge to all accountants to harness the tremendous potential of computers.

Mr Rice pointed out that many mechanized systems were replicas of previous manual systems: the hand-



SOME PERSONALITIES AT THE SUMMER SCHOOL

Front row (*left to right*): Messrs L. W. Rice, B.SC.(ECON.), F.C.W.A., A.C.I.S., *a speaker*; Denis C. Edis, F.C.W.A., *a speaker*; Professor N. A. Dudley, PH.D., *a speaker*; W. L. Spalding, B.SC.(ECON.), C.A., F.C.W.A., F.C.I.S., *a Vice-President of the Institute*; E. F. Brown, F.C.W.A., *a chairman*; M. H. Walters, C.B.E., *Secretary of the Institute.*

Back row (*left to right*): Messrs J. M. S. Risk, B.COM., PH.D., C.A., F.C.W.A., F.C.I.S., *a chairman*; F. Nuttall, F.C.W.A., *a chairman*; D. H. Geaves, A.C.W.A., A.C.I.S., P. Layhe, A.C.W.A., W. Kiggins, A.C.W.A., J. G. Whitehead, A.C.W.A., F.C.I.S., J. W. Ray, A.C.W.A., P. Crisp, A.C.W.A., A.C.I.S., *all group leaders.*

written ledger or record card had been replaced by a tabulation in very similar detail. The high speed of the computer made it feasible to eliminate many of these ledger-type records and summaries. Cost data, for example, could be stored without producing complete unit costs etc., if these were not immediately required. Magnetic or disc file storage conserved space but left data available so that it could be processed to give any results wanted at the time and in the form needed. It was difficult to anticipate every user's possible requirements and this need not be attempted provided the results could be produced quickly.

Referring to the broadening horizon of management accounting, Mr Rice stated that research should be towards providing an overall plan for making available up-to-date, meaningful figures for management. Among the figures management was seeking were the following:

Capital expenditure compared with physical progress to date and with the capital budget.

Profit and return on investment for the whole business and for separate parts compared with budget, forecast or plan.

Return on investment broken down to show profit on sales, and capital turnover, with a breakdown of changes related to types of asset etc.

Profitability of products.

Comparative costs of alternative methods of financing the business.

Manufacturing cost (in detail) compared with budget.

Comparison of selling expenses (in detail) with budget analysed to products etc.

Comparison of alternative selling methods. Analysis of orders or sales, e.g. by product, by geographical areas, by salesmen, etc.

Credit analysis to show bad debt ratios etc. Comparison of advertising costs (in detail) with budget and an assessment of their value.

Analysis of stock with ratios etc. and an indication of optimum levels.

Labour statistics – number, non-productive time, utilization, etc., by trade.

Mr Rice emphasized that only by the use of a computer would large organizations be able to collect, analyse and present data in a reasonable time. When properly organized there should be available a system of almost instantaneous information retrieval. This would give management a daily service of intelligence and data on which to base their decisions.

Establishment of Key Factors for Control Purposes

Mr J. Body, in his paper on this subject, said that it was necessary to build up a number of key factors or ratios covering all the main aspects of business, i.e. finance, sales, production, personnel, etc., the use of which would give the managing director a high degree of control over what was taking place in the company. The factors should be so designed as to indicate those matters which were not going according to plan and which required remedial action and further investigation.

However, if these ratios were to be of value, said Mr Body, there must be a basis for comparison and there were three methods available: the company's own past results; its own budget; and the results of competitors. It was obvious that external comparisons would be the most valuable and therefore the value of these ratios would be greatly enhanced if they could be compared with those of competitors or firms in the same industry because differences of performance in specific areas would be thrown up immediately. One of the difficulties in making external comparisons was the increasing diversification of companies and the growth of holding companies, in many cases controlling companies in widely differing industries, which made it impossible to isolate the figures with which comparison was sought. If external comparisons were not available, the use of these key factors or ratios would still be useful even if only related to the company's own past performance or budget.

Mr Body went on to refer to the most important ratios such as profit to capital employed, profit to turnover, turnover of stocks and work in progress, collection of debts, and expense ratios. There were many other ratios which could be of great value, he said, particularly that relating to personnel. The numbers employed by a company could give valuable indications as to whether the organization was being economically managed. There was no doubt that since the Second World War the proportion of indirect workers to direct workers had increased considerably and thereby tended to inflate overheads and therefore total cost. Obviously it was of great assistance if one knew the ratio of indirect to direct workers for other companies in the same industry.

Mr Body emphasized that ratios and key factors were no substitute for an adequate accounting system but rather that their use must be complementary to such a system. They should be regarded as indicators only, pointing the way to the trouble spots or matters that required more detailed investigation. In fact, he said, the effectiveness of this investigation would depend to a large degree on the adequacy of the accounting system in operation.

Standard Marginal Costing

Mr Denis C. Edis, in his paper entitled 'Standard marginal costing in action – a case study', outlined the system of standard marginal costing used by a group of foundries.

This system, he said, sought to gain the advantages of both the marginal and standard costing approaches. Practical research indicated that variable costs in most of the companies in the group were in the ratio of 3 or 4:1 to fixed costs and this emphasized the value of separating variable from fixed costs.

Accounting should be one integrated whole, said Mr Edis; the idea of a separate cost accounting department should be an anathema. He reminded his audience that one of the principal uses of costing was to provide guidance on price fixing.

Summer School Dinner

At the closing dinner held last Monday, the President of the Institute, Mr J. P. Wilson, F.C.W.A., F.C.I.S., occupied the chair. Mr Wilson was unable to attend the opening days of the School due to his attendance at a conference in France.

The toast of 'The University and City of Cambridge' was proposed by Mr J. Borsay, F.C.W.A., a Past President of the Institute, and responses were made by Dr S. C. Aston, M.A., PH.D., Bursar of St Catherine's College, and Alderman T. J. Warren, Mayor of Cambridge.

Captain C. R. Benstead, M.C., M.A., R.N.(RETD), proposed the toast of 'The Institute of Cost and Works Accountants' and the President replied.

Certified Accountants' District Societies' Conference

CERTIFIED accountants broke new ground last week-end when some seventy-five representatives of the district societies gathered with members of the Council at Trinity College, Oxford, to discuss the Association's affairs.

After dinner on Friday evening, in the New Library of the Oxford Union, the President, Mr R. Statham, C.B.E., J.P., F.A.C.C.A., welcomed the delegates and outlined the pattern of the conference. The first business then commenced with a question-and-answer session with Mr A. E. Lediard Smith, F.A.C.C.A., Chairman of the District Societies Committee, in the chair. Through their nominated delegates, the many local district society committees put to the Council some of the ideas and problems which had been aired at local meetings. The President had expressed the hope that the discussions would range over a wide front of the Association's activities, and the Chairman encouraged as many representatives as possible to speak.

The Council's policy of promoting better educational facilities for certified accountants was reflected in the many questions on professional education that were tabled for discussion. Representatives spoke on the progress they had made in providing additional study facilities by way of special week-end pre-examination courses, study circles and similar activities. The need for more professionally qualified accountancy tutors was stressed. The evening session terminated at 11 p.m.

At the second business session on Saturday morning, Mr G. L. Barker, F.A.C.C.A., the Vice-President, talked about the object and activities of the Association's newly formed Policy Committee. He then answered questions from the delegates on points arising out of his talk, which dealt with the immediate year ahead not only for certified accountants but also for the profession. The meeting then resumed its discussion of the backlog of general questions carried over from the Friday evening session.

Saturday afternoon was left free and many delegates watched members from all parts of the United Kingdom play-off the final round of the Jubilee Golf Trophy Competition over the North Oxford Golf Course. The winner was Mr J. A. Gopsill (Birmingham) with a net score of 68; Mr R. G. Wilkinson (Belfast) was the runner-up with Mr E. J. Carter (Petersfield) third. At a dinner in Hall that evening, the President presented the Trophy to the winner together with a miniature replica.

The final business session on Sunday morning dealt with the remaining tabled questions from the district societies and supplementary questions were discussed. The Secretary of the Association, Mr F. Cameron Osbourn, M.B.E., then spoke about recent developments affecting certified accountants and students. The President, in closing this highly successful conference, stated that the healthy exchange of views and the spirit shown only served to stress that the Association was highly virile. The mood of the Conference had clearly shown the urgency of the need for regulation of the profession leading in the ultimate to registration.

LONDON CHARTERED ACCOUNTANT STUDENTS' ANNUAL MEETING

The annual general meeting of the London Chartered Accountant Students' Society was held last Monday at the Hall of the Chartered Insurance Institute, Aldermanbury. Mr Ernest F. G. Whinney, M.A., F.C.A., the President of the Society, was in the chair; with him on the platform were Sir Harold Gillett, Bt, M.C., F.C.A., Mr Douglas A. Clarke, LL.B., F.C.A., and Mr W. E. Parker, C.B.E., F.C.A., Vice-Presidents.

The report of the Committee for the year ended April 30th last, shows that membership of the Society totalled 10,390 compared with 10,029 the previous year: of these 7,781 were students.

Residential courses, the report states, continue to attract increasing numbers of students. The Cambridge course in the spring was attended by over 300 students and over 200 attended the recent Oxford course. On introductory courses for newly articled clerks, the report says that these have, for the first time, brought the factor of tuition into the Society's courses for beginners. The courses are being run in accordance with the strong recommendation of the Parker Committee. The first experimental course, held last February, was attended by over 150 students and it is hoped later to provide a series of introductory courses for all the 1,600 students who enter into articles in London each year.

In seconding the adoption of the annual report and accounts, Miss E. A. Hattley, Vice-Chairman of the Committee, referred to the difficulties encountered by the Society during the past year but, she said, 'there were grounds for the hope that they would shortly come to an end'. Then those activities that had been in abeyance could be revived and wider scope could be given to projects encouraging attendance and providing more help to articled clerks towards the attainment of full qualification as members of the Institute. She referred in particular to the new Intensive Introductory Courses which were progressing, though slowly, and to the prospect that the new premises at 43 London Wall might be in full use before Christmas. With the additional accommodation available, the Committee hoped to be able to make a

beginning towards the establishment of a Students' Centre which had been their aim for several years. A continuing development was the liaison which existed between the Society and the student bodies in other professions.

A lively discussion followed on questions arising from the annual report and accounts, especially in regard to the content and policy of the Society's magazine, *Contra*, and the development of relations with other student bodies. Mr W. E. Parker, C.B.E., F.C.A., expressed his regret at the terms of the paragraph in the annual report dealing with the Society's difficulties of expansion. He appreciated the disappointment of the Committee and the members, in the circumstances, but he felt that the paragraph implied that the actions of both the Council of the Institute and the Committee of the District Society were indefensible. They were, in fact, trying to do their best; not to obstruct or frustrate; he deplored the open criticism that the report appeared to convey. Mr A. P. Hughes, F.C.A., Chairman of the District Society, associated himself with Mr Parker's remarks and promised to bring the matter up at the next meeting of the District Society.

After further discussion and an amendment to the original motion, the meeting passed a resolution providing for the restricted use of proxies at meetings of the Society. A resolution was also passed asking the Institute to incorporate, in their future plans, more adequate provision for access by students to the Institute Library.

Election of Officers

Mr Ernest F. G. Whinney, M.A., F.C.A., was re-elected President with acclamation and the thanks of the Society for the burden he had borne so cheerfully in the past year.

In re-electing Sir Harold Gillett, Bt, M.C., F.C.A., and Mr J. A. Jackson, F.C.A., as Vice-Presidents, the meeting felt deeply the loss the Society had sustained in the recent death of Mr Brian Manning, C.B.E., D.L., J.P., F.C.A., who, for some fifty-two years, had taken such an active and constructive interest in the affairs of articled clerks, including twenty years as Secretary of the Society.

Mr F. J. B. Gardner, M.C., F.C.A., was elected an additional Vice-President on his retirement from the trusteeship of the Price Scholarship Funds, in acknowledgement of his major contribution to the Society and the Students' Societies' Conference in past years.

Mr W. K. Wells, B.A., F.C.A., was re-elected Honorary Treasurer, and Mr H. O. H. Coulson, F.C.A., and Mr R. G. Leach, C.B.E., F.C.A., Honorary Auditors. The thanks of the Society were expressed for all that they had done in the past to ensure that the financial and accounting requirements were fully met.

The names of ten members elected to the Committee will be announced in next week's issue of *The Accountant* after the necessary scrutiny of ballot papers.

The meeting closed with hearty appreciation to the President for his conduct of a somewhat lively meeting and to the Society's staff for their work during the year.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS BURKE, COVINGTON & NASH, Chartered Accountants, announce that they have moved their London office to 1 Honey Lane, Cheapside, London EC2. Telephone Monarch 3384.

MESSRS CHARLTON & CO, Chartered Accountants, of Norfolk House, Smallbrook, Ringway, Birmingham 5, announce that Mr FREDERICK E. PRICE, M.A., A.C.A., has been admitted to the partnership as from October 1st, 1964.

MESSRS COOPER BROTHERS & CO, COOPERS & LYBRAND and LOVEWELL BLAKE & CO, announce that they have become associated. Mr G. S. H. DICKER, M.B.E., T.D., D.L., F.C.A., and Mr R. G. R. SISSON, J.P., F.C.A., have become partners in COOPER BROTHERS & CO and COOPERS & LYBRAND and Mr S. J. PEARS, F.C.A., Mr J. F. SHEARER, O.B.E., F.C.A., and Mr B. A. MAYNARD, M.A., F.C.A., A.C.W.A., have become partners in LOVEWELL BLAKE & CO. Mr B. WALKER, F.C.A., and Mr A. S. H. DICKER, M.B.E., F.C.A., have retired as partners in LOVEWELL BLAKE & CO, but are retaining their connection with the firm in the capacity of consultants.

MESSRS GREENSLADE & CO, Chartered Accountants, of London, Northampton and Leicester, and MESSRS KENNY, WALDRON, CHANDLER & CO, Chartered Accountants, of London and Northampton, announce that MR LAURENCE L. WEEDEN, F.C.A., who has been a manager of the London practice for some years, has been admitted a partner of the London and Northampton practices of both firms.

MESSRS GUNDRY, COLE & CO, Chartered Accountants, of Brewers' Hall, Aldermanbury Square, London EC2, announce with great regret the death of their senior partner, MR BRIAN MANNING, C.B.E., D.L., J.P. F.C.A., on September 22nd. He had been a partner in the firm for many years and senior partner since 1961. [An obituary notice appeared in last week's issue at page 398. – *Ed.*]

MESSRS HOLDEN, HOWARD & Co, Chartered Accountants, announce that they have now removed their offices to 159–163 Queen Victoria Street, London EC4. Telephone City 8551.

MESSRS S. C. PARKER & Co, Chartered Accountants, of 15 Bridge Road, Wellington, Shropshire, announce that their senior partner, Mr S. C. PARKER, F.C.A., F.T.I.I., retired from the practice on September 30th, and on October 1st, Mr DAVID EDWARD BALL, A.C.A., who has for some years been a member of the staff, was admitted into partnership. The name of the firm remains unchanged.

MESSRS PRICE WATERHOUSE & Co, Newcastle firm, announce the retirement of Mr T. C. CAPEY, F.C.A., who has been a partner since 1944, and the admission to partnership of Mr R. LOVELY, F.C.A., who joined the staff as an articled clerk in 1940.

MESSRS GEO. LITTLE, SEBIRE & Co, Chartered Accountants, of Adelaide House, London Bridge, London EC4, and at Edmonton and St Albans, announce that MR ERIC J. GREEN, F.C.A., who joined their staff in 1957, has been admitted into partnership as from October 1st, 1964.

MESSRS WHINNEY, SMITH & WHINNEY announce that as from October 1st, 1964, they have admitted to partnership in the London firm Mr ALVIN A. MASON, F.C.A., and Mr FREDERICK J. G. WHINNEY, A.C.A., who have been members of the staff there for some years. Mr WHINNEY, who is the son of Mr E. F. G. WHINNEY, M.A., F.C.A., served his articles with the firm. They also announce that Mr DAVID S. HEWITT, A.C.A., who has been a member of their London and Manchester staff for several years, has been admitted a partner in their Manchester firm from October 1st, 1964, and will join Mr W. D. MONTGOMERY, C.A., and Mr G. D. PATERSON, T.D., M.A., F.C.A., as a resident partner there.

Appointments

Mr C. R. Dunlop, C.A., has been appointed a director of John Lewis Properties Ltd.

Mr J. S. Elliot, A.A.C.C.A., chief accountant of Jute Industries Ltd, has been appointed a special director of the company.

Mr E. Morris-Jones, F.C.A., has been appointed managing director of Sir W. H. Bailey & Co Ltd; Mr D. W. Felstead, A.C.A., succeeds him as company secretary.

Mr J. F. Nash, F.C.A., has been elected to the board of Drakes Ltd, of Halifax.

Mr R. G. Nightingale, F.C.A., and Mr G. C. Pond, F.C.A., have been appointed executive directors of Old Broad Street Securities Ltd.

OBITUARY

Mr Louis H. Weatherley, F.C.A.

It is with regret that we announce the death on Saturday, September 26th, at the age of eighty-five of Mr Louis Henry Weatherley, F.C.A., partner in the firm of Cooper Brothers & Co, from 1910 until he retired in 1954 as senior partner.

Mr Weatherley was admitted to membership of The Institute of Chartered Accountants in England and Wales in 1901 and served the whole of his business career of fifty-nine years with Cooper Brothers & Co from 1895 to 1954.

COMMITTEE OF EXPORTS TO THE U.S.A.

Chartered Accountant Appointed Member

Sir Basil Smallpeice, K.C.V.O., B.COM., F.C.A., director of the Cunard Steamship Co Ltd, and formerly managing director of British Overseas Airways Corporation, has been appointed a member of the Committee for Exports to the United States of America.

The Committee, which is under the chairmanship of Viscount Watkinson, P.C., C.H., group managing director of Schweppes Ltd, was set up by the President of the Board of Trade with a mandate to do everything possible for the purpose of encouraging and promoting British exports to the United States. Membership of the Committee is limited to a term of three years.

INCOME TAXES OUTSIDE THE COMMONWEALTH

The eighth supplement to *Income Taxes Outside the Commonwealth* is now available from H.M. Stationery Office, price £2 5s. It revises existing notes in general up to the end of 1963, but for the U.S.A. the Revenue Act, 1964, is taken into account; new notes are added on the taxes on income in Luxembourg and Japan.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Technical Advisory Committee

The one-hundred-and-thirty-fifth meeting of the Committee was held at City House, 56/66 Goswell Road, EC1, on Thursday, September 17th, 1964, at 2 p.m.

Present: Mr H. C. Shaw (in the Chair); Messrs D. G. Bee, K. A. Buxton, L. H. Clark, P. G. Craven, T.D., S. M. Duncan, W. F. Edwards, A. R. English, C. R. P. Goodwin, K. J. Hilton, A. P. Hughes, G. N. Hunter, S. Kitchen, C. Yates Lloyd, J. W. Margetts, G. M. Metcalf, F. L. Moulding, E. J. Newman, R. D. Pearce, A. L. Pitman,

D. W. Pursglove, D. W. Robertson, H. Robinson, H. G. Sergeant, H. G. Smith, C. C. Taylor, G. Thompson, L. R. Turner, D. C. Urry, J. G. Vaughan, and J. A. P. Whinney, with Mr G. A. Slator, Acting Secretary to the Committee.

Sub-committees

Reports of progress were received in connection with twenty matters.

Membership

The following appointments to membership of the Committee for the year commencing October 1st, 1964, were reported:

Nominated by the Council:
Messrs M. A. Charlton, F.C.A., D. A. Clarke, LL.B., F.C.A., L. H. Clark, F.C.A., S. M. Duncan, F.C.A., W. F. Edwards, F.C.A., N. Cassleton Elliott, M.A., F.C.A., R. W. Foad, F.C.A., S. Kitchen, F.C.A., J. Perfect, F.C.A., D. W. Robertson, F.C.A., A. H. Walton, F.C.A., and J. A. P. Whinney, A.C.A.

Nominated by District Societies:
Birmingham: Messrs E. J. Newman, M.A., F.C.A., and B. G. Rose, F.C.A.
Bristol: Messrs S. Edgcumbe, F.C.A., and T. B. Pritchard, F.C.A.
East Anglia: Messrs A. L. Pitman, F.C.A., and H. Robinson, F.C.A.
Hull: Messrs H. G. Sergeant, F.C.A., and H. C. Shaw, F.C.A.
Leeds: Messrs A. G. Martin, F.C.A., and D. W. Pursglove, F.C.A.
Leicester: Messrs G. L. Aspell, T.D., D.L., F.C.A., and G. Thompson, F.C.A.
Liverpool: Messrs W. Shuttleworth, F.C.A., and C. C. Taylor, F.C.A.
London: Messrs F. W. Allaway, F.C.A., A. P. Hughes, F.C.A., D. Napper, F.C.A., B. A. Maynard, M.A., F.C.A., D. S. Morpeth, B.COM., F.C.A., and H. G. Smith, F.C.A.
Manchester: Messrs D. G. Bee, F.C.A., and C. Yates Lloyd, F.C.A.
Northern: Messrs K. J. Hilton, F.C.A., and H. Kirton, T.D., F.C.A.
Nottingham: Messrs E. D. London, F.C.A., and R. F. Prior, F.C.A.
Sheffield: Messrs F. L. Moulding, F.C.A., and L. R. Turner, F.C.A.
South Eastern: Messrs C. R. P. Goodwin, F.C.A., and R. D. Pearce, F.C.A.
South Wales: Messrs R. P. Brown, F.C.A., and G. M. Metcalf, F.C.A.

Co-opted by the Technical Advisory Committee:
Messrs K. A. Buxton, F.C.A, P. J. Cavanna, F.C.A., K. P. Chapman, D.S.C., F.C.A., P. G. Craven, T.D., F.C.A., A. R. English, F.C.A., G. N. Hunter, F.C.A., E. R. Nicholson, F.C.A., and C. J. Peyton, F.C.A.

Chairman and Vice-Chairman

Mr S. Kitchen, F.C.A., and Mr D. W. Robertson, F.C.A., were unanimously appointed Chairman and Vice-Chairman respectively of the Technical Advisory Committee for the year commencing October 1st, 1964.

Mr J. Cartner

The Committee expressed its great appreciation of the services of Mr J. Cartner, past-chairman, on the occasion of his retirement from membership of the Committee.

Mr H. C. Shaw

The Committee expressed unanimous thanks to Mr H. C. Shaw, Chairman for 1963–64, on the conclusion of a highly successful year of office.

Future Meetings

The next meeting of the Committee was fixed for Thursday, October 22nd, 1964. A further meeting of the Committee in 1964 was provisionally arranged for Thursday, December 17th, 1964.

SURVEY ON COMPUTER PERSONNEL

A useful survey, entitled *Computer Personnel*, containing information on salaries, recruitment, training and other matters relating to staff working with electronic computers, provided by over one hundred installations comprising nearly two thousand computer personnel, has been published by the electronic data processing division of The Institute of Office Management.

It includes, where relevant, comparative figures from a pilot survey carried out by the Institute in 1961. Although the tables given in the survey may not provide a basis for any firm statistical conclusions the number of installations and personnel covered do, however, constitute a sample of more than 10 per cent of all installations and computer personnel in the United Kingdom and the information given in the survey can be considered as indicative of trends in recruitment practices, rates of payment and hours of work. Copies of the survey are obtainable from the publications department, The Institute of Office Management, 167 Victoria Street, London SW1, price £1 net (10s to members of the Institute).

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting of The Accountants' Christian Fellowship for Bible reading and prayer will be held at 1 p.m. on Monday, October 5th, in the vestry of St Mary Woolnoth Church, King William Street, London EC3. The scripture for reading and thought will be Mark, chapter 11, verse 24.

ECONOMIC CONDITIONS OVERSEAS

Five further booklets in the 1964 series dealing with economic conditions in member and associated countries of the Organization for Economic Co-operation and Development have recently been issued covering the Belgium-Luxembourg Economic Union, France, Greece, Japan, and Spain. Copies of the booklets are obtainable from H.M. Stationery Office, price 5s each.

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE
ACCOUNTANT

ESTABLISHED 1874

OCTOBER 10TH, 1964 VOL. CLI. NO. 4686

CONTENTS

Taxes For Ever

BEFORE our next issue appears, the electorate will have made their choice. Whether the Government is changed or not remains to be seen; but whatever the political complexion of the administration, changes in the tax structure of the United Kingdom during the next few years seem to be inevitable. The time has long since passed, if there even was such a time, when the tax system in Britain satisfied ADAM SMITH's four classic canons. There is hardly a taxpayer who has any notion of what he pays and in the case of direct taxation the liability may not be determined for several years.

The inadequacies of the present tax structure are brought into sharp relief by virtue of the mounting volume of Government expenditure. Expenditure, it has been well said, depends on policy and it is abundantly clear from the speeches on the hustings of late that expenditure is not likely to go down! Even if the new administration succeeds in accelerating the rate of economic growth, the agreed expenditure plans as set out in the Government's White Paper earlier this year make it clear that, even with a buoyant revenue, there will be little margin for tax relief. This point is strengthened by the statement in the various manifestoes of the political parties that the ratepayer will be relieved of part of his burden by transferring some part of the cost of local authority services on to the Exchequer.

While there are certainly divisions of opinion between the main political parties as to the advantages of certain types of expenditure in different fields, there are even more marked differences between them as to the most satisfactory means of raising the required revenues. All are agreed that some change is needed; but the most striking fact to emerge from a study of the various proposals made is that there is (the Liberal Party apart) singularly little detail regarding their plans.

The Conservative manifesto merely asserts that 'we shall continue to reform the tax system, both on companies and on individuals, to make it less complicated and fairer in its incidence'. It would be perhaps uncharitable to imply that the pace of reform in recent years has not been such as to suggest that striking changes are to be expected in the immediate future. True, the purchase tax has been significantly amended and the old dual rate profits tax abolished. The structure of the capital allowances has also been much improved. But this is only a start. On the other hand, it would be asking too much of any political party seeking power to devote substantial space in its manifesto to such an unpleasant topic.

The Labour Party is a little less reticent in so far as it promises 'a major overhaul of our tax system'. It makes the valid point that taxation must not only be fair, but must be seen to be fair. It stresses in particular the need for the taxation of capital gains which is regarded as 'an essential support to a fair national incomes policy'. The manifesto declares that it will 'block up the notorious avoidance and evasion devices that have made a mockery of so much of our tax system'. Perhaps two observations on this promise are pertinent. The first is that the battle against avoidance is a continuing one, and to it is largely due the extraordinary and ever-increasing complexity of the present law. The second is that the Labour Party need hardly go beyond its own ranks to find experts who can endorse this fact.

It is noteworthy that the Labour Party manifesto makes no reference either to the wealth tax, which Mr CALLAGHAN advocated earlier this year, or to any revision of company taxation. The absence of comment and discussion of the wealth tax suggests that the experts may have made clear to its sponsors the very real administrative difficulties. More could presumably be done (and with less difficulty) in closing some of the loopholes in estate duty, possibly by the introduction of a gift tax which has in the past been advocated by members of both the Liberal and Labour Parties. But in this case, as Mr KALDOR has pointed out in his writings on the subject, the rates of tax applied must be reasonable. The old dictum that high rates must be accompanied by adequate loopholes is amply evidenced in the United States and, for that matter, in Britain too.

As far as corporate taxation is concerned, the opinion is widespread that the Labour Party is no longer proposing to revive the dual rate profits tax in order to discriminate against dividends. Much more likely, it seems, is a corporation tax divorced from the standard rate of income tax. Linked with this are Mr WILSON's more specific proposals for investment allowances, which he hopes will be the means of stimulating British industry to higher levels of productivity. An article in the September issue of *The Investment Analyst*, by Mr R. J. BRISTON, B.SC.(ECON.), A.C.A., reviews the recent criticisms made by Professor A. J. MERRITT and Mr ALLEN SYKES, in an earlier number of the same journal, of the Labour Party's proposals. In particular, Mr BRISTON disagrees with the charge that accelerated depreciation allowances would 'subsidize capital expenditure to the point that there would be a wasteful allocation of resources within the economy'. He makes the point that the relief derived from capital allowances is received only over a fairly long period of time adding that 'this lack of immediacy in a subsidy may be one reason why this particular fiscal carrot appears to have been comparatively ineffective in the past'.

Nevertheless, Mr BRISTON concludes that the existing capital allowances have achieved little or nothing despite their generosity and therefore it must be assumed that a further increase would be no more successful. His solution to the problem of encouraging more rapid technological change within industry is to mount a campaign 'to convince management of the necessity of responding to capital allowances', coupled with a change in the form of the allowance so that relief is given at the time the decision to invest is taken.

Too often in discussion of taxation, undue emphasis is placed upon the revenue-raising potential of a tax rather than its fiscal possibilities as an economic or social regulator. The stage has been reached when both these aspects of prospective taxes are equally important and the problem of devising such imposts is becoming ever more difficult to resolve.

Some upward revision of tax in the middle range of personal incomes would conduce the greater equity just as would a revision of the present regressive National Insurance contribution which both the Liberal and Labour parties would reform. This poses the question as to how far increases in direct taxation are compatible with the incentives necessary to continuing economic expansion.

The recent review of outlay taxes by the Richardson Committee provides a starting point for the extension of outlay taxes which, if the projected expenditure is to be covered, must be effected. Yet such a measure is hardly practical politics without a revision of the direct tax burden.

It is just over a century since Mr GLADSTONE declared: 'Whatever you do in regard to the income tax you must be bold, you must be intelligible, you must be decisive.' These reflections might well embellish the entrance to No. 11 Downing Street to catch the eye of the next occupant.

Multum in Parvo

'WHY', says a newly-published book on insurance[1], 'do insurance policies have any small print on them at all?' To this pertinent question is given an answer which at any rate has the charm of novelty: 'Simply because there is not enough room to print all the conditions in larger type.' This answer prompts another pertinent question: Who determines what size the policy shall be? But the fact that there can be no shortage of paper is evinced by the deluge of publicity material which is deposited on our door-mats every day.

Another field where the infliction on the long-suffering consumer of conditions scarcely visible to the naked eye is rife, is that of hire-purchase. But here the freedom of purveyors of hire-purchase finance and goods to do this is at last to be severely restricted. The Hire-purchase Act, 1964, gave power to the Board of Trade to make Orders in this respect, at any rate in relation to those hire-purchase and credit sale agreements to which the Hire-purchase Acts apply, i.e. broadly speaking, those agreements to which the more modest type of customer can be expected to be a party. The Minister of State has now made The Hire-purchase (Documents) (Legibility and Statutory Statements) Regulations, 1964[2], which are to come into operation on January 1st next.

Part I of the Regulations is headed 'Legibility of Documents' and it applies to the following types of documents:

(*a*) (i) a hire-purchase agreement to which the Hire-purchase Act, 1938 (as amended), applies;
(ii) a conditional sale agreement to which section 21 of the Hire-purchase Act, 1964, applies;
(iii) copies mentioned in paragraphs (*d*) and (*e*) of section 2 (2) of the Hire-purchase Act, 1938;

(*b*) (i) a credit sale agreement to which the 1938 Act applies under which the total purchase price exceeds £30;
(ii) copies mentioned in paragraphs (*c*) and (*d*) of section 3 (2) of that Act;

(*c*) a copy supplied to a hirer under section 6 of the 1938 Act;

(*d*) (i) note or memorandum of a contract of guarantee relating to contracts within (*a*) or (*b*) above;
(ii) copies mentioned in paragraphs (*a*) and (*b*) of section 20 (1) of the 1964 Act;

(*e*) copies supplied to a guarantor under section 20 (3) of the 1964 Act.

In general, the lettering of a document is to be roman (that is, not italics) or upright sanserif, two types noted for their legibility. The height of the smallest letter in the document is to be not less than ·056 of an inch (i.e rather less than half the size of the type used for this article). The width of any column in the document is to be not more than 4½ inches. However, this limit does not apply to any part of the document if the height of the smallest letter in that part of the document is not less than ·067 of an inch. It is to be hoped that this concession will not be abused by having columns so wide that the eye cannot follow them.

There is also a ban on the use of capitals. These may be used only for the initial letters of words and for headings. These restrictions do not apply to those parts of a document which are allowed to be in handwriting, nor to any instructions given in the document as to how it is to be completed.

Regulation 2 requires that the paper of the document shall be white. The same regulation requires the lettering to be in black or dark grey. Moreover, the lettering (apart from any signature) is to be 'clear'. A signature can be in any colour, while other parts which are validly in hand-writing can be blue.

Part II imposes even more stringent require-ments in relation to the space for signing the document; as does Part III in relation to the notice of rights of cancellation, the wording of which must be printed in red.

[1] *Behind That Small Print: A Customer's Guide to Insurance*, by Arthur S. White. Phoenix House. Price 16*s* net.

[2] S.I. 1964. No. 1567. H.M.S.O. Price 8*d* net.

INCOME TAX

Connection and Control

by H. S. A. MACNAIR, F.C.A.

IN everyday language the terms 'associated', 'connected', 'relative' and 'control', have no precise meaning such as one might expect to find in a legal definition. However, these expressions also assume a variety of meanings in the context of different sections of the Income Tax Acts.

One such section relates to sales of any property ranking for capital allowances under Part X of the Income Tax Act, 1952, and section 327 (1) brings into play the provisions of the Fourteenth Schedule to that Act if the buyer is a body of persons over whom the seller has control, or the seller is a body of persons over whom the buyer has control, or both the seller and buyer are bodies of persons and some other person has control over both of them.

'Body of persons' is defined by section 526 as meaning any body politic, corporate or collegiate, and any company, fraternity, fellowship and society of persons, whether corporate or not corporate, while section 327 (2) extends this definition to include partnerships.

The broad effect of the Fourteenth Schedule is to require the substitution of the open market value of the assets in place of the negotiated consideration and to deny initial allowances, within limits, to the buyer. There is, however, an option whereby both parties may treat the assets as transferred at the income tax written-down values as they stood in relation to the seller. These rules are also applied by section 339 (3) to capital expenditure on scientific research.

Section 469 is drafted in terms similar to section 327 and also operates where any property (other than assets within the scope of the sections discussed above) is sold, if sold at a price greater or less than the price which it might have been expected to fetch if the parties to the transaction had been independent persons dealing at arm's length, and only the party apparently at a disadvantage is resident in the United Kingdom and includes the consideration for the bargain in the computation of the results of a trade which he carries on there. Where applicable, the section provides broadly that, if the Commissioners of Inland Revenue make a direction to that effect, the tax liabilities of the parties to the transaction are to be computed as if they had been independent. The section also operates in relation to lettings and hirings of property, grants and transfers of rights, interests or licences and the giving of business facilities of whatever kind.

Control

Except in the context of section 24 of the Finance Act, 1962, referred to below, the term 'control' in relation to a body corporate is used throughout this article to mean the power of a person to secure, by means of the holding of shares or the possession of voting power in or in relation to that or any other body corporate, or by virtue of any powers conferred by the articles of association or other document regulating that or any other body corporate, that the affairs of the first-mentioned body corporate are conducted in accordance with the wishes of that person and, in relation to a partnership, means the right to a share of more than one-half the assets, or of more than one-half the income, of the partnership (section 333, Income Tax Act, 1952). It may be noted that the expression 'person' in any Act is declared by section 19 of the Interpretation Act, 1889, to include any body of persons corporate or unincorporate, unless the contrary intention appears in the Act concerned.

This definition of control was considered by the Court of Session in *C.I.R. v. Lithgows Ltd* (39 A.T.C. 430; 39 T.C. 270). This case concerned separate children's trusts made by the same settlor (the trustees were not all the same). The first trust had a majority shareholding in one company and the second in another, each being registered in the names of the relevant trustees jointly, although the first name on the register in each instance was that of the same individual who by his votes could thus be said to exercise a primary degree of control over both companies. A determination by the Revenue under section 469 in respect of a sale between the companies (admittedly not effected at an arm's length price) was set aside by the Court which took the view that the joint wishes of each body of trustees must prevail over those of the individual trustee in his private capacity. Moreover, if he were to

attempt to cast his votes regardless of his fiduciary duty to his co-trustees the assistance of the Court could be invoked to reassert the will of the separate majorities.

A number of rules directed against tax losses by the Revenue were introduced in the Finance Act, 1960, with particular reference to transactions in which 'associated' persons are concerned, and section 43 states that for these purposes two or more companies are to be treated as 'associated companies' if one has control of the other or others, or any person has control of both or all of them. A reference to a company having control of another company is to be construed as a reference to its having control either by itself or in conjunction with any person having control over the first-mentioned company.

Dividend Stripping

Another series of rules was ushered in by the Finance (No. 2) Act, 1955, and these are mainly directed to circumstances where a certain interest is acquired over a company ripe for dividend stripping. Section 4 is concerned with the case where an interest is obtained in relation to 10 per cent or more of the issued shares of any class comprised in the equity and for this purpose it is necessary to aggregate shares held (1) by any persons engaged in carrying on a trade which consists of or comprises dealings in shares or other investments; and (2) shares in a similar trade under the same control; and (3) shares 'in harmony'. The latter expression is coined here to denote the case where two or more persons engaged in trades of this type or entitled under any enactment to a relevant exemption from income tax have each acquired shares in any dividend yielding body corporate (excluding companies not resident in the United Kingdom) and the transactions in pursuance of which the acquisition was made were either transactions entered into by those persons acting in concert or transactions together comprised in any arrangements made by any person. Where such an interest has been obtained the section operates in certain instances to restrict or nullify the value of the income tax ascribed by section 185 of the Income Tax Act, 1952, to subsequent dividends and renders nugatory the dealing loss.

At this point a difficulty arises from the lengthy and not altogether consistent pattern of definitions multiplied in recent anti-avoidance legislation, and in order to avoid duplication it has been found expedient to coin a few special terms as shown by the following glossary:

Kin: brother, sister, ancestor, lineal descendant.

Spouse: husband or wife.

Sibs: kin of self and of spouse, including spouses of kin.

Co-sub: company (including any body corporate) controlled through one or other of the following modes –
- direct: by self alone;
- indirect: by persons linked with self;
- composite: by self and persons linked with self.

Co-partner-sub: a body of persons, including a company or partnership, controlled as above.

It will be noticed that a circle in definition is involved since the term 'linked' stands for 'associated', 'connected' or whatever expression is used in the passage considered below which defines the relevant relationships.

With this introduction the meaning of 'associated persons' in the Finance Act, 1964, can be more readily explored. Section 17 imposes a charge to tax under Case VI of Schedule D by reference to a capital sum obtained by a person associated with another person in certain circumstances where the latter is entitled to tax relief in respect of payments under a lease of an asset the disposal of which has given rise to the capital sum. The charge applies also where the two persons are identical.

'Asset' for this purpose means any description of property or rights other than land but a similar charge in respect of the sale and lease back of land is imposed by section 19. In the latter case 'association' is extended to cover the relationship where two parties to the same or separate transactions are acting in concert, or if the two transactions are in any way reciprocal, with inclusion of 'associates' of either party. It also extends to the case of two or more bodies corporate participating in, or incorporated for the purpose of, a scheme for the reconstruction of any body or bodies corporate or for the amalgamation of any two or more bodies corporate.

Associated and Connected

In all circumstances a person and another person are 'associated' for the purposes of paragraph 5 of the Seventh Schedule to the Finance Act, 1964, if they are linked through common membership of one or other of the conjunctions in the following table. It will, however, be convenient at this point to tabulate not only the groups comprised in the term 'associated' but also those denoted by the term 'connected', as found in Case VII, Case VIII and

in relation to an employee's beneficial occupation, as follows:

(1) Any individual and his sibs.

(2) (*a*) Any person in his capacity as trustee of a settlement; and

(*b*) any individual who in relation to the settlement is a settlor; and

(*c*) any person 'associated' ('connected') with such a settlor.

(3) (*a*) 'Association': any person and his co-partner-subs.

(*b*) 'Connection'; any person and his co-subs (direct and composite only).

(4) Co-partner-subs ('Connection': co-subs) of the same person.

(5) 'Association' only: in relation to a disposal by joint owners, the joint owners and any person associated with any of them.

(6) 'Connection' only: companies each under the control of a group of two or more persons, the groups either consisting of the same persons or capable of being regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person with whom he is connected.

(7) 'Connection' only: any person and

(*a*) a partner of his; or

(*b*) the spouse of an individual partner; or

(*c*) the kin of an individual partner.

(8) 'Connection' only:

(*a*) any two or more persons acting together to secure or exercise control of a company; and

(*b*) any persons so acting on the directions of any of them.

The definitions of 'settlor' and 'settlement' in (2) above are contained in section 403 of the Income Tax Act, 1952, and some indication of their scope is given by the cases of *C.I.R. v. Buchanan* (36 A.T.C. 36; 37 T.C. 365) and *Thomas v. Marshall* (32 A.T.C. 128; 34 T.C. 178). The definitions of 'connection' are taken from paragraph 20, Ninth Schedule, Finance Act, 1962.

The term 'associated' also appears in section 23 of the Finance Act, 1962, under which sales of building land may attract a charge to tax. A vendor becomes vulnerable if 'associated' with a builder who has entered into a contract for building operations on that land while special provision is made for the case where there are reciprocal arrangements. The definitions adopted by section 24 are, however, materially different. The latter section is concerned, broadly, with profits arising to a 'land-owning' company on the disposal of any of its land in circumstances where the company functions in a series of transactions by various companies representing activities which in the aggregate might be regarded as linking up to constitute a trade of dealing in or developing land. It is necessary to take into account activities 'related' to any disposal and for this purpose, broadly, it is relevant to consider, firstly, the activities of persons 'connected' at that time; and secondly, the activities of companies formerly connected.

The definition of 'connection' here used follows that tabled above, subject to the substitution of a specialized *ad hoc* definition of 'control' peculiar to section 24 which looks to (*a*) the power to determine half the voting at general meetings on matters other than class rights; or (*b*) entitlement to half of any profits distributed; or (*c*) entitlement to half the net assets in a winding-up. This definition appears to have been devised to meet the case where control is divided equally between independent interests, e.g. two property tycoons, as distinct from the usual concept of control derived from section 333 of the Income Tax Act, 1952, which looks to a single ultimate source of power.

One-fifth Rule

The term 'land-owning' company denotes a company not carrying on a trade of dealing in or developing land, but entitled to land to a value of not less than one-fifth of the net value of all its assets, 'value' being interpreted in the manner indicated in section 14 of the Finance Act, 1962. This definition was originated as an extension of the scope of Case VII in relation to chargeable land where assets are held through companies controlled (according to the surtax rules contained in section 256, Income Tax Act, 1952) by five or fewer persons and for Case VII purposes the section becomes relevant in a case where a person or nexus of persons have at least a one-tenth interest in the company.

Brief mention may also be made of the fact that special rules for companies where one-fifth of the value of the net assets is concentrated in one item of stock other than land are to be found in certain sections of the Finance Act, 1960. Section 21 is concerned with such companies and also companies which trade in securities or land. In certain circumstances it provides for the charging of tax on the vendor of a controlling shareholding therein, measured by reference to a notional realization of stock-in-trade. Section 22

extends the previous section to non-trading companies which put up a building in the 'one-fifth' class while section 23 amplifies the provisions of the two preceding sections in relation to a chain of companies.

The significance of these provisions in the context of this article lies in the fact that section 24 extends the provisions of all three sections where sales of 'associated parcels' of shares in a company, being sales to the same person, take place at different times, and in consequence of any of the sales other than the first that person obtains control of the company. In such a case all acquisitions between April 6th, 1960, and the date of obtaining control may require to be treated as having taken place at that date, with the consequence that they are made vulnerable to the provisions of these sections. In this context it is laid down that, to be regarded as 'associated', the parcels of shares must have originated (either directly or through a nominee) from ownership by one or other of the members of any of the groups 'connected' as defined above with extensions which amount broadly to treating a person's partner as identical with himself and with certain modifications, e.g. the exclusion of group (6) in the table above.

Finally, it may be noted that the provisions of sections 21 to 24 of the Finance Act, 1960, were extended by section 25 of the Finance Act, 1962, with effect from April 10th, 1962, with particular reference to securities other than shares giving a right to a controlling interest. It seems to have been apprehended that such securities might be sold at exaggerated values in conjunction with the shares vulnerable under the 1960 legislation and the term 'associated sale' appears in relation to such securities. For this purpose 'associated' is given the same meaning as in the definition above relating to 'associated parcels'.

O. & M. for the Smaller Client – I

by J. G. SIMPKINS, F.C.A.

Introduction

THE primary purpose of this paper is to discuss the assistance a practising accountant can give to his clients in connection with O. & M. On the other hand, to deal exclusively with O. & M. would result in going into considerable detail. To go into such detail would be outside the sphere of the practising accountant and would enter the realm of the O. & M. consultant. For this reason, I have dealt not only with O. & M. but also with certain associated aspects of higher productivity and general business efficiency on the grounds that they are as much within the realm of the practising accountant as O. & M. itself.

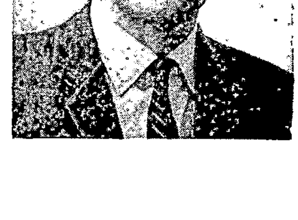
2. O. & M. was first given prominence by the Treasury which set up a department to review the organization and methods of Government offices and to consider ways in which their work could be streamlined.

3. The large business often has its own O. & M. department or, alternatively, it employs consultants specializing in this field. The smaller business often relies upon its accountants for suggestions in this sphere.

4. Management consultants tend to deal with the larger businesses. Recent figures show that only 8·4 per cent of their instructions related to businesses with under one hundred employees; on the other hand, Board of Trade statistics show that 74·8 per cent of all manufacturing businesses employ less than one hundred people. Below this somewhat arbitrary figure of one hundred employees, management consultants do comparatively little work and it is in businesses such as these that the call upon the practising accountant is greatest.

5. In any event, it is desirable that the practising accountant should have a working knowledge, if not a detailed knowledge, of how organization and methods can be applied. By the large business his views are likely to be sought prior to the instruction of consultants or prior to the setting up of a specialist

Mr J. G. Simpkins, F.C.A., author of this paper presented at the Cambridge Summer Course of The Institute of Chartered Accountants in England and Wales on September 12th, who is a partner in Nevill, Hovey Smith & Co, was admitted to membership of the Institute in 1943.



department. By the small business he may well be consulted himself. In either instance he should consider whether he should be content that the initiative should come from others, rather than that he himself should urge management to attend to the matter.

6. It is desirable that an accountant who seeks to assist his clients in this way should have a knowledge of how business in general functions rather than a detailed knowledge of a particular trade.

7. Many trade associations give advice on management problems and they are often able to give specialist help on the problems of their particular trade. Perhaps the best known of these specialist advisory bodies is the National Agricultural Advisory Service. Advice given by trade associations is often helpful on specialist matters but it must be borne in mind that although it is not often the case, their general business advice is sometimes unsound.

8. There is much to be said for the practising accountant belonging to his local Chamber of Commerce or Chamber of Trade or some such body. Apart from a 'grapevine' knowledge of what is afoot it is often possible to know where to get further specialized advice on unusual subjects.

9. O. & M. is commonly associated with time saving and other devices to speed the finished work. Clearly, accuracy or quality should not be impaired in any way by the recommendations we make. Often by the elimination of copying or duplication, O. & M. can lead to increased accuracy in itself quite apart from the consequential saving brought about by the reduction in errors and the time taken in their rectification.

10. In a paper on a somewhat technical matter it is sometimes difficult to give satisfactory illustrations without giving a wealth of tedious detail. The alternative of omitting illustrations altogether reduces a paper on an essentially practical subject to a theoretical treatise, which, to say the least, seems undesirable. Accordingly, I have used as illustrations of general principles, everyday instances of the way in which they are applied, and, in some instances, ways in which they could be applied in circumstances with which you are familiar, namely, in an accountant's office.

A Brief Review of the Techniques Available

11. An accountant advising his client on O. & M. is almost certainly limited to quite elementary techniques. Stop-watches and cine cameras are not for him, neither are the more elaborate surveys: they are in the sphere of the expert and accordingly their application is not considered in this paper.

12. In the first place, the historical records should be available. These should not be confined to the annual accounts but should extend to the detailed records in connection with, say, a workshop. In such a case, the charging out summaries showing the cost of time and materials would almost certainly assist.

13. It may be practicable to do a time survey and for this purpose time-sheets kept by individual members of the staff may well be a sufficient guide. If these do not come under the heading of historical records, then the accountant should consider whether or not they should be instituted with a view to closer control of time and fuller accounting for it.

14. Actual sampling and snap observations of what people are doing at a particular moment is often of great assistance. These snap observations should be completely random and should not be at uniform times or on uniform occasions. The sampling will disclose, if done over an adequate period, whether or not the machines are sufficiently used or whether manpower is economically employed throughout the working day.

15. Counting the output is perhaps the easiest way of checking productivity and it is surprising that more use is not made of it. This method confirms more quickly than anything else that 'empty vessels make the most sound'. The number of letters typed, the number of letters filed or the number of invoices folded can be counted and recorded, for example, and the individual output checked both with that of other operators and with that of the same operator at different times.

16. Then there is the check by demonstration. This is usually done by the supervisor or employer in a moment of exasperation when he does the job himself to 'prove' to his staff that the job cannot possibly take as long as they are taking.

17. Finally, and this is the most important of all techniques, there is the accountant's own knowledge, experience and imagination, enabling him to consider what is done in other concerns, what mechanical and other aids are available and what could be achieved in the case under review.

18. It is essential to make a detailed written note of the way in which each job is done. It is often by looking at one's notes afterwards that one has flashes of inspiration as to the way in which a job can be done differently and better.

19. It is important that each job should be discussed with the person who does it and not only with the supervisor or employer, for the investigator should bear in mind the three ways in which every job is done:

(*a*) The way in which the employer says it is done.

(*b*) The way in which the employee says it is done.

(*c*) The way in which it really is done.

Analysis of the Accounts

20. We are not in this context primarily concerned with all that may be deduced from a set of accounts. Nevertheless they may be a guide to what should be looked at first.

21. It is assumed that the book-keeping is at least competent and that the annual, quarterly or short period accounts are reliable. It may be necessary to recast these accounts and to do a certain amount of sub-analysis work to disclose results that need to be known for this particular purpose. It is assumed, too, that satisfactory cost accounts exist or can be prepared if they are appropriate.

22. Thus it may be necessary to analyse the sales to give a fuller picture of the profitability of each department. There may be separate counters and separate cash registers, for example, making analysis comparatively simple. Alternatively, it may be possible to expedite the work by analysing the purchases and the stocks; where the total gross profit is in accordance with expectations it will then be practicable to ascertain the departmental sales. This analysis of transactions may disclose which departments are profitable and which are not and again, although this will not cure poor results, it may draw attention to the departments which require urgent survey.

23. If the business is large enough to have departmental managers, it may be practicable to draft the departmental accounts in a way which will give these departmental managers responsibility for the results shown. In such a case it will be necessary to distinguish between items for which the departmental managers bear responsibility and those for which they do not.

24. The profits of a business come from its sales; all its costs should be charged to each class of sale as far as possible with a minimum of arithmetical spreading, so that the profitability of each class of sale or type of product can be determined. Discounts on contract sales by a retailer should be charged to contract sales specifically, for example, as should export costs to export sales.

Increased Sales

25. It may well be that the most practicable way of reducing costs is not to reduce them absolutely but to increase sales without a corresponding increase in overhead costs so that the overhead costs per unit will be reduced. Sales campaigns are well outside the scope of this paper but they should always be borne in mind when reviewing ways of making a business more profitable.

26. One of the more obvious examples of increasing charges without increasing overhead costs in total, is where transport undertakings are able to take return loads so that their vehicles are not running empty. Just as a business can increase its sales by, for example, self-service departments, by advertising and so on, an accountant can increase his practice without in any way compromising his professional position. He will be a better accountant for his regular consideration of whether or not there should be estate duty schemes, deeds of covenant, company formations and so on.

27. Some diversification of output may well help to reduce otherwise expensive peaks and troughs. A new line with maximum sales in an existing trough is a well worth-while extension of activity.

28. It is seldom practicable for the small business to compete satisfactorily with the large organization on its own ground. The large organization has the advantage of specialist staff in every sphere, to say nothing of the advantage of buying in bulk. The advantages of the well run small business are also great, but they tend to be most obvious in a more specialized market. Personal service, expert advice and a willingness to obtain goods not ordinarily stocked, are among the points which come to mind. There are sometimes geographical reasons, too, where a business in a country district prospers in the absence of large-scale competition. Such special reasons apart, the small business tends to flourish where it caters for a rather different and often more expensive trade than the multiple shops and this is a point which might be borne in mind when considering ways in which sales might be increased.

Provision of Adequate Finance

29. This is an aspect of the matter with which we are not primarily concerned, but it may be convenient to review it in passing.

30. It may well be that the recommendations an accountant makes will affect the capital structure of the business. Greater sales or throughput will often lead to increases in debtors, stocks and work in progress. Other recommendations may themselves lead directly to further capital expenditure.

31. Budgetary control is well outside our sphere, but the need for an estimate of next year's accounts is obvious and when recommending general changes in a business, an accountant who does not consider cash requirements clearly overlooks them at his peril.

32. Cash flow forecasts are clearly essential for this purpose. It may be necessary to restrict the expansion of working capital or expenditure on fixed assets to keep the cash requirements of the business within bounds. Accordingly, an attempt should be made to forecast the profit that it is hoped will arise from each class of expenditure. The restriction on expenditure can then be concentrated, as far as otherwise practicable, on the outlay showing the smallest proportionate return.

33. A cash flow forecast will also show seasonal or other fluctuations in cash requirements, leading in turn to a more informed decision as to whether any borrowing needs to be permanent or only short term.

34. An accountant should be aware of the sources of capital available to his clients both locally and nationally. External sources of capital, such as bank overdrafts, long-term loans, sales and lease

back and invoice discounting, are outside the province of this paper. Internally, capital obtained by the release of funds at present tied up is very much within our province.

Control of Debtors

35. One of the sources of additional capital most readily available is the close control of sundry debtors. To this end, an efficient accounting system is of great assistance.

36. Accordingly, a matter to which attention must be given in almost every investigation is the point at which a bill or invoice is sent to the customer and the efficiency with which prompt payment is ensured. Almost any reorganization which secures more speedy receipt of cash is worth while.

37. The practice of sending out statements monthly may be perfectly sound for regular customers. Where sales to individual customers are isolated and, perhaps, for large amounts, there would normally be no reason for delay in dispatching invoices and no reason either for issuing statements at all.

38. The small business too often gives credit where none is necessary; counter assistants and salesmen should be pressed to make sales for cash as far as possible, thus reducing office work as well as reducing the capital tied up in financing debtors.

Control of Stocks

39. Another of the ways in which finance can be made available is by reduction of stocks. This carries with it the further advantage that the space may be released for fresh departments if it is desired to expand the business.

40. It may be an illuminating exercise to check the overall time spent in dealing with a particular matter completely. Where adequate time records are kept then a record of hours spent may be readily available. What is required in this connection, however, is not a note of the actual hours spent but a note of the total calendar time from the date when the raw materials enter the factory to the date when the final goods leave, or, in an accountant's office, from when a client's books and papers come into the office to when he gets them back.

41. To some extent, control of stock by book-keeping methods is an audit check and it is always necessary to measure the likelihood of loss against the cost of maintaining detailed stock records. In this sense, stock records are purely defensive in that they tend to prove that it is someone else's fault that matters are amiss.

42. It may well be practicable to control stocks visually rather than by embarking on a sophisticated system of stock records and stores control. For example, it may be better to go into the shop and count the number of wardrobes there or to have distinctive markings on storage bins to show visually when stocks or stores need replenishing. Again, it may be possible to control stock by an orderly display rather than by elaborate records. For example, a grocer piling his tins of soup haphazardly encourages pilfering. If they are stacked in a pyramid with the top one out of reach, pilfering becomes impossible.

43. On the other hand, where the rate of stock turnover is large, a proper stock-keeping record as a guide to buying and as a source of information as to the rate of stock usage may well be indispensable if the business is to be run efficiently. In addition, these records will be of value in preparing stock figures to include in short period accounts.

Organization Charts

44. The general pattern of organization charts is doubtless familiar. It is desirable to draw up a chart of the organization as it exists at present and again as it is hoped that it will become. An organization chart will show the line of responsibility and show who is responsible to whom. 'A man cannot serve two masters' – at least, not often.

45. Where an individual has a variety of duties, it is necessary to ensure that they all receive attention in due time, lest the unpopular tasks be put off indefinitely. This can be achieved either by fixing a time-table for each day or by making each essential job the first call on one person's time. In the latter instance, there is the further advantage of specialization, at least to some extent, ensuring that the job will be better done than if it is tackled by all and sundry. For example, there is some advantage, in an accountant's office, of having one or more typists whose prime duty is the typing of accounts. This does not always deal with the problem of peaks, but at least it ensures a steady flow of completed work.

46. It is probably fair to say that the smaller the concern, the more likely are the lines of authority to get crossed. Nevertheless, there are substantial advantages to be gained from a properly drawn up organization chart. Often, one of the greatest gains is the simplification of delegation of authority so that the whole organization does not revolve around one individual, thus leaving the head of the business free to give it some original thought rather than for him to be submerged in detail.

47. To the extent that we are considering the one-man business, of course, organization charts are of no application, but their usefulness, particularly as an aid to delegation, begins much earlier than is commonly realized.

Pro forma Instructions

48. Instructions that are printed or duplicated have many advantages. They avoid a great deal of repetitive writing and they ensure that the job is done fully.

49. For example, most garages and service stations have greasing and servicing charts which serve both

these purposes. Wholesale newsagents are another example in that their delivery sheets itemize every daily or weekly newspaper or any other publication which is in general circulation, so that only the quantity delivered and the value but not the wording require entering.

50. In an accountant's office much the same effect can be achieved by having duplicated working papers, summaries and audit programmes for each client for each year. The amount of stationery which is used tends to be considerable but the saving in time and the increase in effectiveness of supervision is greater. One of the advantages to a principal of *pro forma* instructions is that his attention is drawn very forcibly to omissions from the working papers or the audit programme. Where, for example, the audit programme is prepared manually by the audit clerk or copied by a typist these omissions are all too easily overlooked when the principal is under pressure of work.

51. Clearly, the *pro forma* instructions can be extended to draft accounts, income tax and profits tax computations and draft covering letters to clients. The draft letters to clients, in particular, can contain reminders to the principal to review such things as the income tax liability, insurance cover, the need to plan to avoid estate duty and so on.

52. Inappropriate wording in forms can always be deleted. For example, parts of the standard audit programme might be quite inappropriate in a particular case. They should none the less be included lest by their omission the work is overlooked in cases where it is required.

53. It is always an economy to use paper to save time. Paper is cheap; time is not.

Reducing a Complex Job to Simple Processes

54. If a complex job can be reduced to a series of simple processes there are a number of advantages. In the first place, training time for new employees is appreciably reduced. Secondly, some specialization may well be possible with the advantages that this usually brings in its train. Thirdly, it may be possible to dilute the labour to some extent.

55. The best example of this is undoubtedly the conveyor belt system of mass production. Another illustration familiar to you will be in the office of an Inspector of Taxes where an inspector agrees the amount of an assessment, but a clerk calculates the tax payable.

56. In the same way, work is divided up in an accountant's practice. Few principals do their own typing, for example. In the same way, many firms have specialist taxation departments, bankruptcy departments and management consultancy departments. The transfer of taxation to a separate department is typical of some of the difficulties which do arise with this kind of sub-division. The audit staff almost invariably need to have a thorough taxation knowledge in connection with their audit work and for this reason a separate taxation department is not always desirable.

57. Although not its primary purpose, of course, the audit programme is a very good illustration of the way in which a complex job may be reduced to a simple process so that progress of the work is supervised and the time taken on each aspect of the work controlled.

58. An interesting development for factory work has been the recent introduction, by at least one well-known conpany, of instructions on a tape recorder. Instead of having written instructions, or instead of doing the work from memory, the operative is provided with a tape recorder and earphones and then receives verbal instruction as the work proceeds. Clearly this is suitable for more intricate work, which is made appreciably less complicated to execute in the correct sequence.

59. Although the advantages of specialization are obvious, one cannot escape the fact that given a reasonable degree of intelligence, mass production methods may be financially rewarding, but the constant fixing of the same bolt to the same wheel can hardly be intellectually satisfying. For this reason, the more nearly the employee becomes a craftsman, the more difficult it is to introduce conveyor belt methods.

60. If a complex job can be broken down to simple processes it often carries with it the further advantage of greater control. It is often possible to check the number of items in straightforward work performed. For example, there is some control that can be exercised in this way over the number of invoices folded and placed in their envelopes or in the number of holes drilled in a metal plate.

61. The more complex the job the less practicable it is to control the speed with which it is completed, for the same reason that a complex job calling for thought and initiative does not lend itself to the application of a bonus scheme.

Control of Time

62. In a small business or one that contains reasonably small departments, clocking in merely to ensure punctuality may well be unnecessary. On the other hand, it is usually necessary to control the time that is spent on a particular job. Time records to support bonus payments or for accountants to support the bills they send to their clients may be essential.

63. For control purposes it is usually wise to sub-analyse non-chargeable time in the various ways in which it could arise. An omnibus figure of unchargeable time gives very little indication of what, if anything, is amiss. When considering idle time it is essential to bear in mind the cost of the individual whose time is wasted. For example, if a switchboard operator really does save her principal's time,

as distinct from merely inducing him to be idle while she is getting a telephone call, then it may well be in a particular case that a manual switchboard would be an economy when compared with an automatic switchboard. But such cases must be very rare.

64. The more expensive time becomes, the more it is necessary to control it.

65. It is essential for the time taken on a job whether in a factory or a professional office, to be checked from time to time by a senior member of the staff or by the principal himself. It is not difficult to find illustrations in support of the suggestion that in many organizations the principle reason for high costs is the low output per employee.

66. The O. & M. investigator should not overlook the suggestion by an American management consultant that Britain is a half-time country, getting half-pay, for half-work, under half-hearted management. This suggestion was supported by the fact that for each person needed to produce a ton of steel in America, three are needed in Britain and that it takes from three to six times as long to build a house in Britain as it does in America. To some extent this may be due to lagging mechanization and technological tardiness; the Americans take the view that we just don't work hard enough.

67. This point was made by Professor Parkinson in his book *Parkinson's Law* where he stated that 'Work expands so as to fill the time available for its completion', and his observations are not relevant to Government offices alone.

Output Bonuses

68. Often, ways of increasing output occur to the person actually doing the job so that there is a great deal to be said for output bonuses as an aid to O. & M. An extension of this is the 'suggestion box' coupled with rewards for ideas saving time and materials.

69. In factories, piece work and output bonuses are commonplace; in offices they are not. Broadly speaking, the more straightforward the job is, the more likely it is that an output bonus will be practicable. The more complicated the job is and the more it involves thinking, the less likely is an output bonus to be worth while.

70. In the office, for example, it may well be practicable to arrange an output bonus for a copy typist typing invoices all day. It is probably not practicable for a shorthand-typist who is doing work that is requiring initiative and application. The temptation to devise an output bonus for copy typists may be attractive superficially; on the other hand, it may have the effect of raising the output of copy typists and so enhancing their bonuses so that their total pay will exceed that of shorthand-typists and secretaries. It may then be necessary to increase salaries all round merely to secure an increased output in one department.

71. It is probably fair to say that in most offices the payment of equitable output bonuses is difficult to the point of being almost impracticable.

72. An output bonus scheme which is commonplace is the practice of paying a salesman a commission based on his sales.

Staff

73. The employment of staff is clearly a matter which is primarily within the sphere of personnel officers. However, there are one or two points at which this becomes an O. & M. matter, and it may be convenient to review them briefly.

74. It is desirable to go to some lengths to retain existing staff provided that they are competent. The cost of training fresh staff, even the cost of interviewing applicants, is expensive and should be avoided wherever possible. It is worth considering the labour turnover rate, for a reduction in costs here may lead to a considerable overall saving, quite apart from the probable gain in efficiency that would go with it.

75. It is important that the staff for a task should be adequate both in number and quality, if only to prevent waste of supervisory or managerial time in plugging gaps or rectifying mistakes, to say nothing of pacifying irate customers. Nothing is as expensive as cheap labour.

Staffing New Systems

76. Staffing an entirely new system, even if it only supersedes an older system, is always something of a problem. The output of each employee at the start is going to be appreciably less than after the system has been running for two or three months, when teething troubles have been overcome and the work familiar.

77. There may be enough part-time staff available who can be engaged temporarily to bridge the gap; alternatively, the work could be phased so that sixth formers or undergraudates could fill the gap during vacation.

78. Once the new scheme is operating, the problem becomes one of redeploying existing staff. In so far as they have been engaged only temporarily for the period of the conversion there is no problem. Permanent staff must be found alternative work within the firm. Normal wastage will ordinarily solve the problem, particularly if this aspect of the matter is borne in mind when the scheme is in the planning stage.

79. Wastage of staff is clearly highest among young girls who may leave the area upon marriage or because their parents move. In an age of rapid development, in business and in the office, this comparatively high wastage coupled with redundancy problems brought about by the adoption of modern methods makes the employment of young girls even more attractive than it would otherwise be.

(*To be concluded.*)

Weekly Notes

PORT OF LONDON ON VIEW

ON Thursday of last week, the Port of London Authority entertained in their inspection vessel, the *St Katharine*, a representative party of accountants, economists, bankers, business men, journalists, and others associated with the City and the trade of London.

From Tower Pier the *St Katharine* cruised to Tilbury and back giving the party the opportunity of seeing the busy port which lies downstream from the City. The vessel also toured the biggest of the five groups of docks of the P.L.A. – the Royal group – where the large number of ships discharging and loading made an impressive sight for the visitors.

Mr E. P. J. Lunch, F.C.A., Chief Accountant of the P.L.A., acted as host for the occasion and, formally welcoming the guests during lunch served in the saloon, said he hoped that they would not give undue weight to the temporary difficulties from which the docks industry was suffering. Trade records, for both the Port and the P.L.A., had consistently been broken during the last few years and continuing expansion was forecast by the P.L.A.'s economic staff, given the growth in the national economy that all are seeking.

Comparison was frequently made with competitors across the Channel, but it should be remembered that in Belgium major port works were Government financed; in Holland the Government shouldered 70 per cent of the cost, while in France the proportion has been 50 per cent and will shortly be increased to 60 to 80 per cent. Even in the U.S.A., dredging – a very material port cost – was carried out by the Army and the industry enjoyed considerable tax advantages on bond issues.

In contrast, the P.L.A. stood on its own feet financially as an independent undertaking, and was proud to do so. This seemed to him to be the right policy, both for the Port and for the country, since it brought the economic test that ensures that resources are deployed to the best advantage of the community as a whole.

Sir William Carrington, F.C.A., a Past President of The Institute of Chartered Accountants in England and Wales, thanked the Port Authority for their hospitality on behalf of the forty guests amongst whom there were Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A., Immediate Past President of the Institute; Mr Robert McNeil, F.C.A., Vice-President of the Institute; Mr F. W. H. Saunders, F.C.W.A., a Past-President of The Institute of Cost and Works Accountants; Mr H. Hodgson, F.C.A., F.C.W.A., Vice-President of the I.C.W.A.; Mr G. L. Barker, F.A.C.C.A., Vice-President of The Association of Certified and Corporate Accountants; Mr P. A. Daniell, the Government Broker; and Mr J. Morris Gifford, Director-General of the National Ports Council.

CONCENTRATION AMONG COMPUTERS

J. LYONS & CO LTD is to move one step further away from the computer industry. It is announced that its holding of shares in English Electric-Leo Computers is to be sold to English Electric which in turn will transfer them to the Marconi Company, its main electronic subsidiary. It is less than two years since Lyons merged its computer interests with those of English Electric and little connection is now left between Lyons and the computer industry. It will keep its holding of shares in English Electric and a Lyons director will stay on the board of the new computer set-up although this will now be a wholly-owned subsidiary of the English Electric Group.

A closer link has now been established between Marconi and the Leo computer. Marconi has a great deal of experience in certain highly specialized aspects of computer work connected with military applications. Some of the Marconi expertise will now be available for Leo but it is understood that the Leo III computer which is the type originally developed by Lyons will continue in production for the time being.

COLONIAL DEVELOPMENT FINANCE

UP to the year ended March 31st, 1964, the United Kingdom provided over £15¼ million for development and welfare schemes in its overseas territories. Exchequer loans for development programmes came to £7·9 million. These figures are given in House of Commons Paper No. 313.[1] Funds issued during the year 1963–64 raised the total made available since 1946 to £287·4 million.

The largest portion of the grants and loans made available in the last financial year were for education and health which together took £5 million. Economic development accounted for £4 million the main items being agriculture, veterinary and forestry schemes. Communications took £3·5 million of which £1·9 million were for roads and £1·4 million for sea and river transport.

Bechuanaland, Basutoland and Swaziland accounted for £2·7 million while Kenya was granted £1·9 million. Among smaller grants was £11,000 for Tristan da Cunha on its re-population following the volcanic eruption.

The Exchequer loans approved under section 2 of the Colonial Development and Welfare Act mentioned above included £4·5 million for Kenya, £2 million for Northern Rhodesia and £1 million for Nyasaland.

FALL IN GOLD RESERVES

IN September the gold and convertible currency reserves of the sterling area fell by £16 million to £907 million. A statement from the Treasury at the same time last week disclosed that the Bank

[1] H.M. Stationery Office. Price 3s.

of England had opened up facilities with the central banks of Belgium, Canada, France, Italy, Holland, Switzerland and Western Germany against the possibility of speculation in sterling arising in the foreign exchange markets during the election period. It has been unofficially estimated that these credit facilities were drawn on to the extent of £50 million last month. To that extent the published decline in the reserves is a serious under-statement.

During September it seemed more likely that the weakness of sterling was due to a cessation of the inflow of funds rather than to a speculative outflow. Owing to seasonal factors the rest of the sterling area is unlikely to have added to its sterling balances but window dressing by foreign banks at the end of the quarter may have accounted for a small outflow.

In addition to the Basle-type arrangement with these central banks there exists the $500 million exchange arrangement between the Bank of England and the United States Federal Reserve Bank by which either country can draw upon the other's currency to this extent as a short-term defence measure. It appears that some use was made of these facilities as well during September.

In 1961 the line of credit made available by central banks when the £ was under pressure was about £300 million and it seems likely that a similar figure has been arranged on this occasion.

This is My Life . . .

by An Industrious Accountant

CHAPTER 245

COUNTLESS boardroom walls up and down the country are covered with old paintings or prints of past chairmen or directors. The frames bear little brass plaques with names and dates, while the white mounts of the portraits have similar details in script or type. What is missing is some personal information about the individuals.

It's odd how little we know, generally speaking, about the history of our great industries. From schooldays onwards we read about dynasties or battles or explorations, but little enough about business achievements. Yet these latter are vastly more important. Plantagenet or Tudor, Blenheim or Plessey, Sir Humphrey Gilbert or stout Cortes on his peak in Darien, these read like fairy tales nowadays. But people and how they lived are far more important – or at least they should be.

I'd like to see every big business compelled by law to publish a history of its own development. How it made its profits; why it expanded; where it sought its markets; what were its highlights of triumph and disaster. Better still, who guided its destinies and made the big decisions for good or ill; and what manner of men these were. Who carried out their instructions: what millions of subordinates worked through Victorian drudgery or present forty-hour weeks of leisure, to earn their weekly pay? Thousands of villas in teeming suburbs, generations of eager schoolchildren, graduates, clerks, craftsmen, housewifes, pensioners – not to mention those of our profession – all owe their homes, careers and security to the unsung and unchronicled business firms of the nation.

It's true that some enterprising concerns have shown pride in their past and have placed their histories on record. But they're few and far between. What about the others? Why do the best-known names in the world of commerce and industry prefer to blush unseen, wasting the wonderful publicity value that such publications would bring them?

There are so many answers. Reluctance to undertake the hard work of research and the painstaking interpretation of scanty records; shortage of suitable historians, impartial and trustworthy; fear of unbudgetable expense; fear of disclosure of mistakes; fear of exposure of personal wrongdoing; fear of libel actions; fear . . . fear . . . always fear. Pride would be more justifiable. *Si monumentum requiris, circumspice.*

Let's face it, nine men out of ten prefer to sit still and say nothing. Silence is golden. Don't open your mouth or you'll put your foot in it. Never put it in writing. Dig up amphorae in Crete or mammoths in Essex, but bury the records of your own activities.

Not that business is alone in its love of secrecy. Truthful recorders of contemporary events are anathema to jealous minds. Remember Sir John French imprisoning Philip Gibbs and his fellow war-correspondents with the B.E.F.? Or Lord Kitchener striding through a group of journalists with an angry: 'Out of my way, you drunken dogs'? Little they guessed of the rush into partisan and controversial apologia of their successors in army or politics! There was a Prime Minister of the present century who told the House that he had, the day before leaving office, destroyed several files of documents lest anything remained which might be construed as damaging to his immaculate (as he claimed) administration. There's an old saying: 'History is lies agreed upon', but at least an attempt should be made to tell the truth.

Maybe I'll propose to our own directors that the history of our company should be written. All those faces looking down from the walls? . . . surely, we of the present generation, owing our present affluence and future comfortable pensions to their past efforts, owe them the tribute of recorded appreciation and thanks. Such a history should be as proudly cherished as the banner of a regiment . . . but I'm rather apprehensive of the reception I'd get.

ACCOUNTANTS IN THE ELECTION

Thirty-two members of the profession have been nominated as candidates for Parliament in next Thursday's General Election; it is to be hoped, therefore, that a greater number will be elected than the eight who were successful out of the twenty-four accountant contestants in the 1959 election. (A ninth accountant was elected at a by-election in 1961.)

Of the present thirty-two accountant candidates, twenty-four are members of the English Institute; four of the Scottish Institute; and four of the Association of Certified and Corporate Accountants. Sixteen are standing as Conservatives; four for Labour; and twelve as Liberals. Brief details below:

Mr N. COOPER BAILEY, F.C.A. Director, Numol Ltd. Conservative candidate for BLAYDON.

Mr J. BARNETT, F.A.C.C.A., partner, J. C. Allen & Co, Certified Accountants, Manchester. Labour candidate for HEYWOOD and ROYTON.

Mr BASIL D. BARTON, M.A., F.C.A., partner, Barton, Mayhew & Co, Chartered Accountants, London. Conservative candidate for STOKE-ON-TRENT NORTH.

Mr KEITH W. BAYNES, A.C.A., in public practice, Chadwell Heath. Liberal candidate for BRIGG.

Mr ALFRED N. H. BLACKBURN, F.C.A., Liberal candidate for THURROCK. Former member of Liberal Co-ownership Committee.

Mr D. W. T. BRUCE, F.C.A., partner, William Newman, Bruce & Co, Chartered Accountants, London. Labour candidate for THE WREKIN. Was M.P. for North Portsmouth 1945–50. Parliamentary Private Secretary to Rt Hon. Aneurin Bevan 1945–50.

Major W. GIBSON CLARK, F.A.C.C.A., senior partner, W. G. Clark & Co, Certified Accountants, London. Conservative candidate for NOTTINGHAM SOUTH. M.P. for this constituency since 1959.

Mr LEONARD H. CLEAVER, J.P., F.C.A. Conservative candidate for BIRMINGHAM YARDLEY. M.P. for this constituency since 1959.

Mr MAURICE CRICHTON, C.A., partner, Wilson, Stirling & Co, Chartered Accountants, Glasgow. Conservative candidate for PAISLEY.

Mr D. HYWELL DAVIES, J.P., F.C.A., partner, Wynn Llewelyn Davies & Co, Chartered Accountants, Narbeth, Pembs. Liberal candidate for MONMOUTH.

Mr IAN FREDERICK HAY DAVISON, B.Sc. (Econ.), A.C.A., with Arthur Andersen & Co, Conservative candidate for STEPNEY.

Mr JACK DIAMOND, F.C.A., Labour candidate for GLOUCESTER. M.P. for this constituency since 1957. Was M.P. for Blackley, Manchester, 1945–51. Parliamentary Private Secretary to the Ministry of Works 1946–47.

Mr GEOFFREY DODSWORTH, J.P., F.C.A., company director. Conservative candidate for THE HARTLEPOOLS.

Mr BARRY DOWNS, A.C.A., in public practice, Stockport. Liberal candidate for STOCKPORT NORTH.

Mr NICHOLAS H. DONOHUE, A.C.A., Liberal candidate for BARKING.

Mr KENNETH DUNKLEY, A.A.C.C.A., company director. Conservative candidate for LITCHFIELD and TAMWORTH.

Mr JOHN HUW PRICE GRIFFITH, A.C.A., partner, Griffith & Miles, Chartered Accountants, London. Conservative candidate for GOWER.

Mr JOHN HUBERT HOLMES, A.C.A., partner, Mellors, Basden & Co, Chartered Accountants, London. Liberal candidate for NORTH HENDON.

Mr W. H. HUNTER, C.A., partner, McLay, McAlister, McGibbon, Chartered Accountants, Glasgow. Conservative candidate for SOUTH AYRSHIRE.

Mr WILLIAM ARTHUR LOWE, F.C.A., partner, William Chadwick, Noon, Elsworth & Kemp, Chartered Accountants, Liverpool. Conservative candidate for WARRINGTON.

Mr TERENCE ANTHONY MAHER, A.A.C.C.A., Accountant, Carborundum Co Ltd, Manchester. Liberal candidate for ACCRINGTON.

The Rt Hon ALFRED ERNEST MARPLES, P.C., F.C.A., Conservative candidate for WALLASEY; M.P. for this constituency since 1945. Parliamentary Secretary to the Minister of Housing and Local Government 1951–54, Parliamentary Secretary to the Minister of Pensions and National Insurance, 1954–55. Postmaster-General, 1957–59. Minister of Transport, 1959–64.

Mr IAN D. McDONALD, F.C.A., Liberal candidate for WESTON-SUPER-MARE

Mr BRUCE MILLAN, C.A., Labour candidate for CRAIGTON, GLASGOW. M.P. for this constituency since 1959.

Mr T. ALAN PRATT, F.C.A., practising chartered accountant Leicester. Liberal candidate for LEICESTER SOUTH-WEST.

Mr H. CAMPBELL SCARLETT, C.B.E., C.A., J.P., managing director, The Dundee Linoleum Co Ltd. Conservative candidate for DUNDEE WEST.

Mr M. N. SHAW, J.P., F.C.A., partner, W. H. Shaw & Sons, Chartered Accountants, Dewsbury. Conservative candidate for BRIGHOUSE and SPENBOROUGH. M.P. for this constituency since 1959.

Mr F. H. TAYLOR, F.C.A., senior partner, F. H. Taylor & Co, Chartered Accountants, London. Conservative candidate for MOSS SIDE, MANCHESTER. M.P. for this constituency since 1961.

Mr J. B. W. TURNER, F.C.A., partner, Eacott, Standing & Co, Chartered Accountants, Windsor. Conservative candidate for FELTHAM.

Mr R. S. W. WAINWRIGHT, M.A., F.C.A., partner, Beevers & Adgie, Chartered Accountants, Leeds. Liberal candidate for COLNE VALLEY.

Mr FRANCIS J. WARE, B.A., A.C.A., with Wenn, Townsend & Co, Chartered Accountants, Oxford, Liberal candidate for BANBURY.

Mr PHILIP G. WATKINS, M.A., A.C.A., with W. B. Keen & Co, Chartered Accountants, London. Member of Liberal Party Taxation Committee and H.M. Inspector of Taxes 1953–58. Liberal candidate for BRIDGEWATER.

Finance and Commerce

Scribbans-Kemp

THIS week's reprint of the accounts of Scribbans-Kemp Ltd shows the position of a company that has been losing ground for some years and is now being given an overhaul. Leading the salvage work is Mr W. A. McPhail, who was elected a director on April 29th, and appointed chairman on July 8th, and Mr Thomas Kenny, F.C.A., who has more recently joined the board.

Scribbans cake manufacturing business was established in 1898. It was offered to the public investor in 1927. Kemps, with a name for biscuits, was brought in and also Barker & Dobsons, the well-known confectionery concern. Other acquisitions have produced a group with thirty-two trading companies within five divisions.

On viewing the accounts, it may be wondered why the company is paying an Ordinary dividend of 10 per cent – as it has done since 1959. Mr McPhail points out that this is an over-distribution of £108,523 following the previous year's excess distribution of £56,257.

Past Mistakes

Before announcing the results, he says, he gave very careful consideration to the question of the final dividend. In view of the forecasts which had been made before he took office, justice compelled the view that no change should be made on this occasion. But he warns shareholders that the board's policy in future will be that dividends must be well covered by earnings if the group is to grow and prosper, and the actual amount it will be possible to pay for 1964–65 will depend on the year's results.

SCRIBBANS-KEMP LIMITED
and Subsidiary Companies
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR 53 WEEKS TO THE 4th APRIL 1964

	1964		1963	
	£	£	£	£
Profit of the Group before Taxation (*note* 1)		331,005		401,346
Less				
Taxation (*note* 2)				
United Kingdom taxation based on home profits and on dividends from overseas subsidiary companies				
Profits tax	474		59,184	
Income tax	133,038		123,113	
Overseas taxation less double taxation relief	32,077		11,831	
		165,589		194,128
		165,416		207,218
Add				
Tax relief arising from sales of fixed assets and from capital allowances brought forward from previous years	103,000		—	
Taxation overprovided in previous years	35,723		7,976	
		138,723		7,976
Net Profit of the Group		304,139		215,194
Add				
Surplus on realisation of sundry fixed assets		—		21,325
Less				
Provision for reorganisation costs (*note* 4)		120,000		—
Attributable to—				
Scribbans-Kemp Limited	87,694		186,637	
Subsidiary companies	96,445		49,882	
		184,139		236,519
Less				
Profits of subsidiary companies attributable to outside shareholders		47,662		47,776
		136,477		188,743
Less				
Dividends less tax				
Interim dividend of 5 per cent paid on 3rd April, 1964	122,500		122,500	
Proposed final dividend of 5 per cent	122,500		122,500	
		245,000		245,000
		(108,523)		(56,257)
Balance brought forward—				
Scribbans-Kemp Limited	402,903		461,266	
Subsidiary companies	1,008,495		1,006,389	
		1,411,398		1,467,655
		1,302,875		1,411,398
Add				
Transfer from general reserve of subsidiary companies		287,650		—
		1,590,525		1,411,398
Less				
Adjustments on sale of subsidiary companies		22,808		—
Balance carried forward—				
Scribbans-Kemp Limited	245,597		402,903	
Subsidiary companies	1,322,120		1,008,495	
		1,567,717		1,411,398

He says that in his examination of the business, he had to find out why it was that the group, with a turnover exceeding £36 million a year, was today showing a net profit before tax of under 1 per cent on trade, while ten years ago the group's net profit before tax was over £1·3 million.

'This is a sorry story', he says, 'and I have my own decided views as to why it happened.'

But, as he continues, shareholders are rightly interested in the present and future prospects rather than the past mistakes.

First Tasks

One of his first tasks, he says, must be to build a management structure and to mark out the areas of responsibility; to develop modern administrative techniques and especially to bring sales methods into line with the changing circumstances now prevailing.

Mr McPhail's statement, however, is not without some indications of how the present state of affairs developed. Until 1962, there were two biscuit factories – at Cricklewood and Grimsby. After eight years of continuous and serious losses, the Cricklewood factory was sold. 'This exercise was carried out at great expense to the company and has proved worthless. Our share of the biscuit market has dwindled to one-fifth of what it was in 1951–52 and our tonnage has fallen by 75 per cent.'

'It appears to have been past practice, when biscuit companies were bought, to drop the use of well-known and well-established brand names in favour of the group name and image. This policy has been attended by consequences which have cost the group dear. Notwithstanding recent urgent steps taken to economize and reduce production, we must expect further heavy losses from this source.'

Financing Spending

Whether the pattern of trading is to supply wholesalers or retailers, the end result is the same: 'production processes must be so automated by concentration of manufacture that we can offset increased costs with a high degree of efficiency and meet successfully the requirements of the new conditions'. Given time, says Mr McPhail, a profitable situation can be made even more profitable but capital expenditure is likely to reach new records and the finance will have to come largely from bank overdraft.

Reduction of overdraft in the present accounts has been brought about by the Cricklewood sale – with proceeds just over £1 million – and the sale of the grocery companies for £325,000.

Further clearing-up has included the liquidation of the confectionery company, George Horner. In the present year, a South African subsidiary has been sold and proceeds will come into the 1964–65 accounts which will also benefit to the extent of approximately £470,000 from the sale of the meat product companies.

SCRIBBANS-KEMP LIMITED
and Subsidiary Companies

CONSOLIDATED BALANCE SHEET 4th APRIL 1964

	1964 £	1964 £	*1963 £*	*1963 £*
Share Capital of Scribbans-Kemp Limited ..		4,000,000		*4,000,000*
Capital Reserves				
Capital redemption	200,000		*200,000*	
Share premium account	20,568		*20,568*	
General (*note 6*)	356,335		*630,006*	
		576,903		*850,574*
Revenue Reserves (*note 7*)		3,898,584		*4,179,915*
Interest of Scribbans-Kemp Limited Shareholders		8,475,487		*9,030,489*
Future Taxation (*note 3*)		480,025		*412,053*
Interest of Outside Shareholders in capital and reserves of subsidiary companies (*note 8*)		728,934		*762,133*
4½% Bonds maturing 1965 (secured on the assets of a Canadian subsidiary company)		16,529		*33,113*
Current Liabilities and Provisions				
Bank overdrafts	899,504		*2,316,994*	
Creditors and accrued expenses	2,697,488		*2,820,498*	
Provisions (*note 4*)	694,283		*151,050*	
Dividends of Scribbans-Kemp Limited, less tax				
Interim (paid 3rd April, 1964)	—		*122,500*	
Proposed final	122,500		*122,500*	
		4,413,775		*5,533,542*
		£14,114,750		*£15,771,330*

	1964 Cost etc £	1964 Depreciation £	£	*1963 Cost etc £*	*1963 Depreciation £*
Fixed Assets					
Freehold and long leasehold land and buildings at cost	4,484,575	265,716	4,218,859	*4,697,024*	*281,957*
Premiums paid for short leases, partly at cost and partly at net book amounts at 31st March 1945	277,808	160,629	117,179	*324,236*	*164,124*
Plant and equipment at professional valuations in 1946 or at cost	6,242,369	4,436,903	1,805,466	*6,433,907*	*4,362,236*
	11,004,752	4,863,248		*11,455,167*	*4,808,317*
Net book value of fixed assets			6,141,504		*6,646,850*
Goodwill at cost, including premiums on acquisition of shares in subsidiary companies, less amount written off			1,603,884		*1,653,071*
Trade Investments at cost less amount written off ..			44,744		*56,344*
Current Assets					
Stock at the lower of cost or net realisable value ..		2,934,725		*2,960,288*	
Amounts due on completion of property sales ..		—		*1,148,801*	
Trade debtors and payments in advance		2,641,932		*2,943,142*	
Taxation recoverable (net)		454,039		*175,613*	
Quoted investments (market value £15,076, *1963 £14,950*)		6,863		*7,705*	
Tax reserve certificates		—		*15,252*	
Balances with bankers and cash in hand		287,059		*164,264*	
			6,324,618		*7,415,065*
			£14,114,750		*£15,771,330*

Directors
W. A. McPHAIL
J. H. BAYFIELD

Secretary
ARCHIE BELL

SCRIBBANS-KEMP LIMITED *and Subsidiary Companies*

NOTES TO BE READ IN CONJUNCTION WITH THE ACCOUNTS AS AT 4th APRIL 1964

1 PROFIT BEFORE TAXATION

The profit of the Group before taxation (*£331,005*) is stated after taking into account the following items:—

	1964 £	*1963 £*
Depreciation of fixed assets (other than freehold and long leasehold properties)	498,551	*593,106*
Bank and other interest payable	76,030	*132,210*
Directors' emoluments—management services	77,689	*79,835*
Compensation for loss of office to a past Executive Director	15,000	—
Provision for compensation—estimated—for loss of office to other Executive Directors	45,000	—
Auditors' remuneration	14,481	*15,019*
Investment Income	Cr. 946	Cr. *2,769*

2 TAXATION

	1964	*1963*
The charge for United Kingdom taxation is stated after deducting relief in respect of investment allowances of	£52,000	*£55,000*

3 FUTURE TAXATION

Future taxation of the Group comprises:—

	1964	*1963*
United Kingdom Income Tax 1964/65	360,686	*298,808*
Accumulated income tax relief in an overseas subsidiary relating to the excess of tax allowances over depreciation charged in the accounts, applicable to future years	119,339	*113,245*
	£480,025	*£412,053*

4 PROVISIONS (see Directors' Report)

These comprise:—

	1964	*1963*
Provision for reorganisation costs	400,000	—
Provision for cost of funding annual ex gratia and additional pension payments to past employees and to past or retiring directors, less tax relief thereon	150,000	—
Provision for modernisation of certain properties	99,283	*151,050*
Provision for compensation—estimated—for loss of office to Executive Directors	45,000	—
	£694,283	*£151,050*
Holding company	195,000	—
Subsidiary companies	499,283	*151,050*
	£694,283	*£151,050*

5 INTERESTS IN SUBSIDIARY COMPANIES

	1964	*1963*
United Kingdom companies	5,746,782	*7,613,238*
Overseas companies	1,380,216	*1,383,766*
	£7,126,998	*£8,997,004*

6 CAPITAL RESERVES—GENERAL

	Holding Company £	*Group* £
As at 31st Mrch, 1963	80,137	630,006
Add: Net surplus on sales of fixed assets	—	22,265
Surplus provisions written back	15,517	38,394
	95,654	690,665
Less: Amounts applied in writing off:—		
Expenditure arising from concentration of production less £12,772 group taxation relief thereon	14,913	26,604
Trade Investment	—	27,726
Provision for reorganisation costs (*note* 4)	—	280,000
	14,913	334,330
Capital reserves as at 4th April, 1964	£80,741	£356,335

7 REVENUE RESERVES

These comprise:—

	Holding Company £	*Group* £
General reserves		
As at 31st March, 1963	2,230,867	2,768,517
Less: Transfer to profit and loss account	—	287,650
Provision for cost of funding annual ex gratia and additional pension payments to past employees and to past or retiring directors less tax relief thereon (*note* 4)	150,000	150,000
	150,000	437,650
	2,080,867	2,330,867
Profit and loss accounts	245,597	1,567,717
Revenue reserves as at 4th April, 1964	£2,326,464	£3,898,584

8 INTERESTS OF OUTSIDE SHAREHOLDERS

The figure shown under this heading on the consolidated balance sheet is exclusive of a premium of £250,982 ($759,221) which would become payable on the redemption, at the option of the Canadian subsidiary, of its preferred shares, or on the voluntary liquidation of that company.

9 OUTSTANDING CONTRACTS FOR CAPITAL EXPENDITURE

Commitments under contracts for capital expenditure which were outstanding at 4th April, 1964, all of which related to subsidiary companies, amounted to approximately £79,000 (*1963 £85,000*). In addition capital projects authorised by the Boards of subsidiary companies involve expenditure of approximately £282,000 for which no firm contracts had been placed by that date.

10 OVERSEAS CURRENCIES

Overseas currencies have been converted into sterling on the following bases:—

Fixed assets—at the rates ruling on acquisition.

Current assets and liabilities—at the rates ruling on 4th April, 1964.

CITY NOTES

THE approach to the General Election, which looked to be going full gallop in the stock-market, was reined to a halt by the unexpected swing to Labour shown in the Gallup Poll last week-end. In one day virtually the whole of the previous week's rise in prices for steel, property and insurance shares was lost.

Since then the market has tentatively recovered, but clearly the previous week's impetus had been lost. Speculation on the election result has died down. There is still time for the market to gather its wits but it is certain that the confident forecast of a Conservative victory next Thursday has been shaken.

Some brokers insist that the small investment demand is still there and that only speculative money has been shaken out of the market, but it is speculative money that makes the running under current conditions.

There is already a tendency to attempt to judge stock-market performance beyond the election but doubt on the election result itself puts too many unknown quantities in the market equation. The experience early this week, however, suggests that a Labour victory on Thursday would bring a decided share price fall.

* * * *

WELL before the end of this year the Stock Exchange is expected to go a stage further in its company reporting requisites for share quotations. Last August, when three stipulations and a number of recommendations were made, it was stated that some of the recommendations might, in future, be made requirements for quotation. An announcement, the Stock Exchange said, would be made after appropriate consultations.

The Stock Exchange monthly bulletin reports that the great majority of companies commenting on the August move have reacted favourably to the recommendations. That, it is assumed, may spur the Stock Exchange to further effort.

* * * *

A POINT that was not particularly stressed in comment on the London Stock Exchange's figure of £992·3 million for the market's turnover in September was that the month was the second quietest of the year. The number of bargains 'marked' in the *Official List* during the month was 290,150. The lowest monthly figure for 1964 was for August when markings totalled 277,904. The busiest month was January with 382,147 bargains marked.

Less surprising, although it occasioned some comment, was that only 34 per cent of September's turnover was in ordinary shares. Probably this month's figures will show a higher proportion, but undoubtedly the gilt-edged market attracts the lion's share of Stock Exchange turnover in terms of money. In September, for example, turnover in short-dated Government stocks alone accounted for 30 per cent of the total.

Another vital point in the statistics is the vast difference between the figure for bargains marked in the *Official List* and the actual number of bargains recorded for turnover purposes. The total of purchase and sale bargains was 467,932 compared with the 290,150 recorded in the *Official List*.

RATES AND PRICES

Closing prices, Wednesday, October 7th, 1964

Tax Reserve Certificates: interest rate 19.3.64 $2\frac{3}{4}$%

Bank Rate

July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	$6\frac{1}{2}$%	April 26, 1962	$4\frac{1}{2}$%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	$5\frac{1}{2}$%	Feb. 27, 1964	5%

Treasury Bills

July 31	£4	13*s*	1·03*d*%	Sept. 4	£4	13*s*	1·26*d*%
Aug. 7	£4	13*s*	0·79*d*%	Sept. 11	£4	13*s*	0·57*d*%
Aug. 14	£4	13*s*	0·21*d*%	Sept. 18	£4	13*s*	0·70*d*%
Aug. 21	£4	13*s*	0·98*d*%	Sept. 25	£4	13*s*	0·80*d*%
Aug. 28	£4	13*s*	1·47*d*%	Oct. 2	£4	13*s*	0·44*d*%

Money Rates

Day to day	$3\frac{3}{8}$–$4\frac{1}{2}$%	*Bank Bills*	
7 days	$3\frac{1}{4}$–$4\frac{3}{8}$%	2 months	$4\frac{13}{16}$–$4\frac{7}{8}$%
Fine Trade Bills		3 months	$4\frac{13}{16}$–$4\frac{7}{8}$%
3 months	$5\frac{3}{4}$–$6\frac{1}{4}$%	4 months	$4\frac{13}{16}$–$4\frac{7}{8}$%
4 months	$5\frac{3}{4}$–$6\frac{1}{4}$%	6 months	$4\frac{7}{8}$–$4\frac{15}{16}$%
6 months	6–7%		

Foreign Exchanges

New York	$2·78\frac{5}{16}$	Frankfurt	$11·06\frac{1}{8}$
Montreal	$2·99\frac{1}{2}$	Milan	1739
Amsterdam	$10·03\frac{1}{4}$	Oslo	$19·93\frac{5}{8}$
Brussels	138·17	Paris	$13·63\frac{3}{4}$
Copenhagen	$19·27\frac{1}{4}$	Zürich	$12·01\frac{7}{8}$

Gilt edged

Consols 4%	$64\frac{13}{16}$	Funding 3% 59–69	$90\frac{1}{16}$
Consols $2\frac{1}{2}$%	$41\frac{1}{4}$	Savings 3% 60–70	$86\frac{3}{4}$
Conversion 6% 1972	$102\frac{7}{8}$	Savings 3% 65–75	$77\frac{15}{16}$
Conversion $5\frac{1}{4}$% 1974	$98\frac{1}{16}$	Savings $2\frac{1}{2}$% 64–67	$92\frac{7}{8}$
Conversion 5% 1971	$97\frac{5}{8}$	Treas'ry $5\frac{1}{2}$% 2008–12	$90\frac{1}{4}$
Conversion $3\frac{1}{2}$% 1969	$91\frac{11}{16}$	Treasury 5% 86–89	$86\frac{1}{4}$
Conversion $3\frac{1}{2}$%	$56\frac{1}{2}$	Treasury $3\frac{1}{2}$% 77–80	$76\frac{13}{16}$
Funding $5\frac{1}{2}$% 82–84	$95\frac{11}{16}$	Treasury $3\frac{1}{2}$% 79–81	$75\frac{9}{16}$
Funding 4% 60–90	$92\frac{5}{16}$	Treasury $2\frac{1}{2}$%	$40\frac{3}{4}$
Funding $3\frac{1}{2}$% 99–04	$64\frac{1}{4}$	Victory 4%	$98\frac{1}{8}$
Funding 3% 66–68	$90\frac{7}{8}$	War Loan $3\frac{1}{2}$%	$57\frac{7}{16}$

Practitioners' Forum

ACCOUNTING *versus* AUDITING

MANY accountants in sole practice or in the smaller firms, particularly in the provinces, often complain that the pronouncements of their professional bodies have little relevance to the sort of work which they have to do during a normal routine day – that the 'official' approach to auditing is more appropriate to that of the public company than to the small private concern.

Part of this trouble probably arises from the lack of time set aside by many practitioners for professional reading – often (they will say) through pressure of work, though also perhaps from a feeling of remoteness from the central body, but hardly ever from any admitted reluctance to try to apply modern concepts and procedures to the normal tasks of professional life.

Is it so revolutionary to suggest that the basis of all audit work should be the internal control questionnaire? Or that auditing in depth is appropriate to the small as to the large-sized audit? Practitioners might well find it a profitable exercise to consider whether their routine audit programmes should not be thrown away and to take a fresh look at the work they do. Many of the 'traditional' audit programmes for 'small' clients were designed on the basis of two ideas – first, that the primary function of auditing was to prevent fraud, and secondly, that the programme covered the preparation of accounts and the gathering of information for tax purposes.

It is true, of course, that if the auditor has to prepare accounts as well as to audit them – as often happens in 'incomplete record' cases – then he may well have a great deal of routine vouching and analysis to do; but is this not precisely why it is dangerous to regard such work as auditing?

The Meaning of Auditing

There is, of course, a definite distinction between accounting and auditing? The accountant function is to reflect the book entries in the final accounts. The auditor, on the other hand, has the duty of reviewing what is happening and what needs to be done to maintain or to improve the system of internal control – for no matter how small, every business has a system of some sort.

Every practitioner should consider what he would do having regard to the system in force, if a person other than himself was carrying out the accounting work and leaving him to do the audit only. He might well be extremely surprised at his reactions as to what he would regard as necessary to carry out a competent audit.

Some readers may comment that their clients are really only concerned with the production of accounts of their private companies (*a*) because the law requires it, and (*b*) because the accounts are needed for tax purposes; and, indeed, it is unfortunately in this context that many smaller firms of accountants sign audit reports to the effect that in their opinion the accounts show a true and fair view.

It is no use denying that in many cases there is this 'smoke-screen' between the auditing and the accounting work where the small practitioner performs both of these functions. It is so easy to become preoccupied with the niceties of balancing books and writing up entries into ledgers, and to forget that one has not in fact carried out an audit at all – or to appreciate that this is even required.

Obviously, time must be taken – and paid for – if the two jobs are properly done; and, of course, there is the common cry that clients will not pay for this. But this is largely the fault of the profession: if accountants have been content to sign reports stating that they have carried out their duties as auditors, while at the same time they have done a major accounting job in producing the accounts, they have only themselves to blame if they have failed in the past to make an adequate charge. It ill becomes them to complain if they themselves have accustomed their clients to a low level of payment for what should be skilled professional services.

What is the Answer?

How to remedy the situation? Well, of course, Rome wasn't built in a day and a change cannot be wrought over night. But a start has got to be made and it is recommended that practitioners who act in an accounting and an auditing capacity to the same clients should separate the two functions so that they are considered quite independently. Something like the following pattern may then emerge:

(1) *Accounting*
- (*a*) reconciliation of bank and cash-books;
- (*b*) analysis of entries in (*a*);
- (*c*) posting of analysed entries;
- (*d*) balancing of entries;
- (*e*) preparation of summaries, schedules and final accounts.

(2) *Auditing*
- (*a*) internal control questionnaire (including details of accounting work done independently as above);
- (*b*) preparation of audit programme of work;
- (*c*) allocation of normal tests (by relation to size, time taken, extent of error in sample, etc.);
- (*d*) discussion of lessons to be learned from accounts with clients.

This is but a rough outline of a new approach.

Far from being a unique approach, however, it is pure common sense and is the very least a self-respecting practitioner should do if he is prepared to append his signature to an audit report. It is not too far-fetched to suggest that otherwise the day may well come, if some critics of the profession have their way, when it may be forbidden for an auditor to act as accountant in relation to the same client. It might only take a *McKesson & Robbins* type of case in the United Kingdom to bring about such circumstances; and who would then dare to claim that such action was not justified?

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for the opinions expressed.

The Accountant in Management Consultancy

SIR, – We, like some chartered accountants are somewhat apart from the main stream of management consulting organizations. It was with great interest, therefore, that I read Mr L. W. Shaw's paper on the 'Role of the accountant in management consultancy' in your issues of September 5th and 12th.

NUMAS Ltd, was set up by the National Association of British Manufacturers as a completely separate non-profit making company with the object of helping to improve the efficiency of industry. Our services, however, are not limited to N.A.B.M. members nor to manufacturers. This has had a considerable influence on our technical development because we have had to analyse our market, which is mainly the smaller and medium-sized manufacturing business. In 1957, such firms were making very little use of the existing consulting services and we agree with Mr Shaw when he says that still 'there is, however, tremendous need among the smaller undertakings for a service of management consultancy'. We feel, however, that he goes too far when he continues 'and it is to the client's advantage . . . that chartered accountants should provide this service'. We do not in any way undervalue the contribution which the accountant can make, but the main thing that we in NUMAS have learnt as a result of our experience among the smaller undertakings is that detailed specialist approach of any kind, whether accounting, selling, production or organization is not the thing which is needed. Although the financial signs are the most obvious of the small company's troubles – inadequate profitability, over-trading, inadequate turnover of capital, inadequate liquidity – it requires an all-round 'general practitioner's' abilities to put his finger on the precise areas of the business in which specific action will produce improvements in the financial situation. Particularly when a company is operating at a loss, it takes a very experienced consultant to cut expenses quickly in such a way that the ability of the company to grow and progress is not prejudiced. We have found that a staff ratio of one senior to two resident advisers is required in dealing with smaller firms and that part-time help from a senior man is a most attractive part of our service to the small companies.

As all our principal advisers have had experience previously with the larger management consulting firms, we can speak from experience that consulting work in the smaller and medium-sized firms is much more demanding of a wide knowledge of management as well as of management techniques and it takes men of long experience in management consultancy (even after an intervening period spent as an industrial executive) some years with us to develop the qualities which ensure success in the smaller and medium-sized firms.

You will appreciate that I do not write this letter in a spirit critical of accountants; we have worked closely with chartered accountants in the past and will no doubt do so in the future, but I felt that Mr Shaw's statement should not go unchallenged in the light of our considerable experience in the small firm field.

Yours faithfully,

O. R. J. LEE,
Executive Director,
NUMAS LTD.

Walton-on-Thames.

Paid Cheques

SIR, – One of the 'Big Five' banks has enclosed a printed notice to each customer with the first bank statement issued after changing over to computer accounting saying '. . . we found many of our customers had no use for the paid cheques which we sent to them with their statements . . . we considered it sensible to stop sending them out wherever our customers agree.'

Customers must not agree and must say so emphatically now.

The Cheques Act initiated the practice of not sending receipts since, it was generally held, the returned cheque was evidence of payment. Even the Accountant-General has stated that receipts will not be issued for surtax when paid by cheque unless requested.

Practising accountants know there are many occasions when the returned cheque is 'the final word', but the banks intend to destroy this last evidence for the sake of streamlining method.

Clients should be requested to express their views to their local banks.

Yours faithfully,

London W1 HOBBS, PESKETT & CO.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

DINNER IN BELFAST

Mr John Love, F.C.A., President of The Institute of Chartered Accountants in Ireland, presided at a dinner of the Institute held at The Grand Central Hotel, Belfast, on October 1st.

In the course of his reply to the toast of 'The Institute of Chartered Accountants in Ireland', proposed by the Minister of Commerce, Mr Love said it was very fitting that the toast had been proposed by the Minister of Commerce, who was so much concerned with the industrial life of Northern Ireland, for the Institute was also very much concerned with industry and commerce, both in Northern Ireland and in the Republic. 'We believe', he said, 'that through our members, we are an essential factor in the successful running of industry and commerce throughout Ireland, and it is the constant aim of the Institute to improve the services which members render to the communities to which they belong.'

New Industries

'It is a matter of great satisfaction that the efforts of the Minister of Commerce and his colleagues in the Northern Ireland Government have been so successful in attracting new industries, as, indeed, have those of their opposite numbers in the Republic. To some extent, the problems of those in authority in the two parts of our country have been different. In Northern Ireland, with its industrial tradition, and its highly skilled labour force, it has been necessary to find new industries to replace in whole, or in part, those old basic industries which are in decline. In the Republic, on the other hand, successive Governments have been engaged in the building up of manufacturing industry as an addition to the basic industry of agriculture upon which reliance was placed to a very great extent in the past. In passing, it is quite remarkable how adaptable the Irish countryman has proved in learning and operating new industrial processes, and I am sure that this applies equally in the North and the South.

'I believe, however, that to a very large extent, the efforts of our Governments and of our industrialists both in Northern Ireland and in the Republic, are complementary, because economics recognize no boundaries, and the prosperity of each part of our country is intimately affected by the prosperity, or the reverse, of the other part. I am quite sure that this is recognized by us all, no matter where we live and work, and the upsurge of investment in, and confidence in, the future of Ireland, North and South, is a source of great satisfaction to everyone.

'I think it was Dr Johnson who once said "The Irish are a very fair people; they never speak well of each other" (*laughter*). I suppose there is some truth in those words, but when one considers the happy relations which do exist between the two parts of our country in a variety of spheres, of which one might cite various forms of Governmental co-operation, the holiday traffic from North to South and vice versa, and different forms of sport, one realizes that if we were all to concentrate upon our points of agreement rather than upon those of disagreement, Dr Johnson might well be confounded.

Institute Affairs

'Turning now to purely Institute affairs, I propose to touch briefly upon various aspects of training and education for the profession which have been engaging the attention of your Council.

'Consultations have been proceeding with the universities in Ireland for some time, with the object of linking our system of apprenticeship under articles with a university training and with specialized and appropriate degrees. These conversations are still at an exploratory stage, but the aim is to make available, when possible, the benefits of the university to those who will in the future be training for our Institute examinations. We still regard a substantial period under articles in the office of a practising accountant as a basic essential for our students, but if the proposed link with the universities takes place, no doubt some amendment to the present basic period of five years' articles will be required.

'There are, of course, problems involved, financial and otherwise, which may render it necessary to continue as an alternative the old system of articles, particularly in the Republic, where university grants are neither so extensive nor so readily available as in Northern Ireland. It is envisaged, however, that a person holding an approved accountancy degree would obtain substantial exemptions in the Institute examination, and that all students who could possibly do so would find it beneficial in every way to take the proposed degree as a preliminary to the Institute examination.

Management Diploma

'We have also joined with our sister Institutes in England and Scotland and with other accountancy bodies in Great Britain in formulating a scheme for a Joint Diploma in Management Accounting Services, which will be of a very high standard, and should appeal to those who wish to specialize, after qualification, in this branch of our profession. We are also associated with The Institute of Chartered Accountants in England and Wales in proposals for the establishment of a post-qualification Certificate in Management Information, which it is hoped will appeal to many of our newly qualified members, both in industry and in practice.

Institute Fellowship

'Your Council has also been considering the question of the award of Institute Fellowship, which is at present granted after a stated period of time in practice as a public accountant. The Council sees no reason why Fellowship in a professional body should be confined to those in practice, nor why it should be granted merely on effluxion of time. Most of us believe that it is an honour which should be earned, and one which can conveniently and desirably be combined with post-qualification study and a certain degree of specialization. For that reason the Council has formulated proposals for the granting of Fellowship by post-qualification examination, in the basic subject of economics, and additional alternative subjects, such as management accounting or taxation. These proposals, having been put informally to our members, received very encouraging support, and the necessary amendments to the Charter and Bye-Laws

will be formally submitted to a special general meeting in due course.'

I must refer to one matter of topical interest in the Republic. A new Succession Bill has been introduced to the Dail, dealing with the disposition of property by will, and on intestacy. I am not concerned so much with the intestacy provisions, but the provisions restricting the right of a man to leave his property as he wishes by will after his death, go much too far and bear within them the seeds of endless litigation and practical difficulties. For instance, under the Bill, a man who has an estate sufficient to provide an adequate income for his wife on his death, may not leave his whole estate in trust for his wife with remainder to his children, as the adult children would have the right to demand their one-third share of the estate absolutely upon his death. A farmer whose main assets were the farm and the stock thereon, and whose children had departed to other jobs apart from one son who remained to work the farm, could not leave the farm absolutely to that son, as the remaining children could claim their share of one-third of his estate upon his death, and his widow could claim another third. The intention of the Bill, to prevent a man unjustly dispossessing his family upon his death is good, but, as drafted, parts of the Bill are bad, and it is hoped that wiser counsels will prevail before the Bill becomes law.

THIRD RESIDENTIAL CONFERENCE

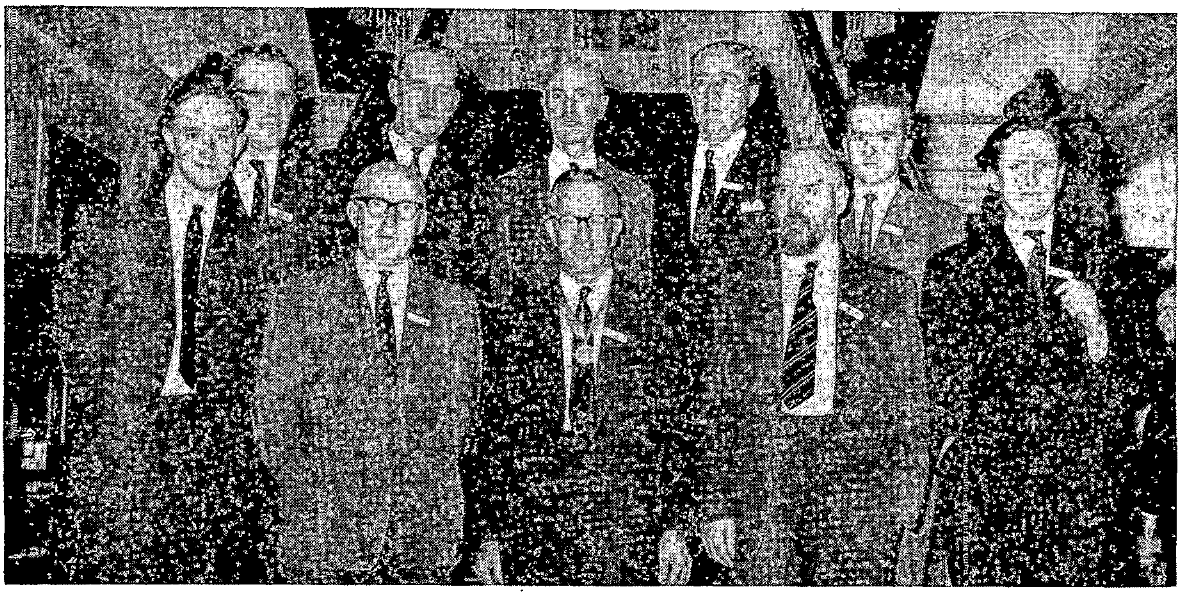
The third residential conference of The Institute of Chartered Accountants in Ireland was held at the Slieve Donard Hotel, Newcastle, Co. Down, last Friday and Saturday, October 2nd and 3rd.

Nearly one hundred and fifty members of the Institute attended the conference and among those present were Mr John Love, F.C.A., President of the Institute; Dr H. W. Robinson, PH.D., B.A.(MOD.), B.COMM., LL.B., F.C.A., Vice-President; Mr N. G. White, F.C.A., Chairman of the Belfast Society; Mr R. I. Morrison, F.C.A., Chairman of the Dublin Society; Mr Edmond Jennings, A.C.A., Chairman of the Munster Society; and Mr W. Stuart Orr, B.A., LL.B., A.C.A., Secretary of the Institute. The three papers presented were: 'The use of computers in industry and commerce', by Mr H. J. B. Kearns, B.A., A.C.A.; 'The accountant's role in relation to computers', by Mr B. A. Elliott, A.C.A.; and 'Some aspects of Irish company law', by Mr W. H. O'Donnell, B.COMM., F.C.A., and Mr G. E. Cameron, F.C.A. In addition, a session was devoted to the subject 'Training for the profession', when, following an introduction by Mr R. I. Morrison, F.C.A., Chairman of the Dublin Society, the conference broke up into study groups. At a subsequent meeting of the whole conference, group leaders reported the findings of their groups.

The business sessions occupied Friday morning and afternoon and Saturday afternoon and evening. On Saturday morning there was a break for recreation when members were able to play golf or take part in a conducted tour to Tollymore Forest Park.

Designed to assist members in keeping up to date with modern accountancy procedures, the conference was an undoubted success. The group discussions in particular provided an admirable opportunity for individual members to express their views.

A more specialized residential course on computers is to be held by the Institute at Athlone at the beginning of December.



SOME PERSONALITIES AT THE RESIDENTIAL CONFERENCE

Front row (*left to right*): Messrs H. J. B. Kearns, B.A., A.C.A., *Speaker*; G. E. Cameron, F.C.A., *a Past President of the Institute, Speaker*; John Love, F.C.A., *President of the Institute*; Dr H. W. Robinson, PH.D., B.A.(MOD.), B.COMM., LL.B., *Vice-President of the Institute*; Mr R. I. Morrison, F.C.A., *Chairman of the Dublin Society of Chartered Accountants.*

Back Row (*left to right*): Messrs G. B. Duffin, F.C.A., *Convenor of the Conference Committee*; Edmond Jennings, A.C.A., *Chairman of the Munster Society of Chartered Accountants*; N. G. White, F.C.A., *Chairman of the Belfast Society of Chartered Accountants*; W. H. O'Donnell, B.COMM., F.C.A., *a Member of Council of Institute, Speaker*; B. A. Elliott, A.C.A., *Speaker.*

New Legislation

All new Acts will be noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent.

STATUTES

Chapter 70: Riding Establishments Act, 1964

An Act to regulate the keeping of riding establishments; and for purposes connected therewith.

Price 8d net. *July 31st, 1964.*

Chapter 71: Trading Stamps Act, 1964

An Act to make provision with respect to trading stamps, including provision for regulating the issue, use and redemption of trading stamps; to provide for regulating the business of issuing and redeeming trading stamps; and for purposes connected with the matters aforesaid.

Price 1s net. *July 31st, 1964.*

Chapter 72: Fishery Limits Act, 1964

An Act to extend the British fishery limits and amend the definition of 'sea-fishing' in the Sea Fisheries Act, 1883.

Price 1s net. *July 31st, 1964.*

Chapter 73: British North America Act, 1964

An Act to amend the British North America Act, 1867.

Price 3d net. *July 31st, 1964.*

Chapter 74: Obscene Publications Act, 1964

An Act to strengthen the law for preventing the publication for gain of obscene matter and the publication of things intended for the production of obscene matter.

Price 5d net. *July 31st, 1964.*

Chapter 75: Public Libraries and Museums Act, 1964

An Act to place the public library service provided by local authorities in England and Wales under the superintendence of the Secretary of State, to make new provision for regulating and improving that service and as to the provision and maintenance of museums and art galleries by such authorities, and for purposes connected with the matters aforesaid.

Price 1s 6d net. *July 31st, 1964.*

Chapter 76: Malicious Damage Act, 1964

An Act to extend the jurisdiction of magistrates' Courts under section 14 of the Criminal Justice Administration Act, 1914, and otherwise to amend that section.

Price 3d net. *July 31st, 1964.*

Chapter 77: Local Government (Pecuniary Interests) Act, 1964

An Act to amend sections 76 and 123 of the Local Government Act, 1933, and sections 52 and 90 of the London Government Act, 1939.

Price 5d net. *July 31st, 1964.*

Chapter 78: Betting, Gaming and Lotteries Act 1964

An Act to amend the Betting, Gaming and Lotterie Act, 1963, with respect to gaming machines and witl respect to the provision of amusements with prizes.

Price 5d net. *July 31st, 1964*

Chapter 79: Statute Law Revision Act, 1964

An Act to revise the statute law by repealing obsolete spent, unnecessary or superseded enactments.

Price 1s 3d net. *July 31st, 1964*

Chapter 80: Statute Law Revision (Scotland) Act 1964

An Act to revise the statute law of Scotland by repealin obsolete, spent, unnecessary, or superseded enactments and to facilitate the citation of statutes.

Price 1s 6d net. *July 31st, 1964*

Chapter 81: Diplomatic Privileges Act, 1964

An Act to amend the law on diplomatic privileges an immunities by giving effect to the Vienna Conventio on Diplomatic Relations; and for purposes connecte therewith.

Price 1s 3d net. *July 31st, 1964*

Chapter 82: Education Act, 1964

An Act to enable county schools and voluntary school to be established for providing full-time education b reference to age-limits differing from those specified i the Education Act, 1944, as amended by the Educatio (Miscellaneous Provisions) Act, 1948; to enable maintenance allowances to be granted in respect of pupils a special schools who would be over compulsory schoc age, or, in Scotland, over school age, but for sectio 38 (1) of the said Act of 1944 or section 32 (4) of th Education (Scotland) Act, 1962; and for purposes connected with the matters aforesaid.

Price 5d net. *July 31st, 1964*

Chapter 83: New Forest Act, 1964

An Act to alter the perambulation of the New Forest to make further provision for the New Forest, t amend the New Forest Acts, 1877 to 1949, and fo purposes connected with the matters aforesaid.

Price 1s net. *July 31st, 1964*

Chapter 84: Criminal Procedure (Insanity) Act, 1964

An Act to amend the form of the special verdict required by section 2 of the Trial of Lunatics Act, 1883 and the procedure for determining whether an accuse person is under a disability such as to constitute a ba to his being tried; to provide for an appeal against sucl a special verdict or a finding that the accused is unde such a disability; to confer on the court of trial an the Court of Criminal Appeal further powers of makin orders for admission to hospital; to empower th

prosecution to put forward evidence of insanity or diminished responsibility; and for purposes connected with the matters aforesaid.

Price 1s 3d net. *July 31st, 1964.*

Chapter 85: John F. Kennedy Memorial Act, 1964

An Act to vest in the United States of America a site at Runnymede forming part of the Crown Estate to be preserved in perpetuity in memory of the late President John F. Kennedy for the use and enjoyment of the public under the control and management of the Trustees of the Kennedy Memorial Fund.

Price 5d net. *July 31st, 1964.*

Chapter 86: Malta Independence Act, 1964

An Act to make provision for, and in connection with, the attainment by Malta of fully responsible status within the Commonwealth.

Price 1s net. *July 31st, 1964.*

Chapter 87: Shipping Contracts and Commercial Documents Act, 1964

An Act to secure Her Majesty's jurisdiction against encroachment by certain foreign requirements in respect of the carriage of goods or passengers by sea and in respect of the production of documents and furnishing of information.

Price 5d net. *July 31st, 1964.*

Chapter 88: Refreshment Houses Act, 1964

An Act for the better regulation of refreshment houses within the meaning of the Refreshment Houses Act, 1860.

Price 5d net. *July 31st, 1964.*

Chapter 89: Hairdressers (Registration) Act, 1964

An Act to provide for the registration of hairdressers; and for purposes connected therewith.

Price 1s net. *July 31st, 1964.*

Chapter 90: Spray Irrigation (Scotland) Act, 1964

An Act to enable river purification boards in Scotland in pursuance of their functions to control the abstraction of water for the purpose of spray irrigation; and for purposes connected therewith.

Price 1s net. *July 31st, 1964.*

Chapter 91: Divorce (Scotland) Act, 1964

An Act to amend the law of Scotland relating to divorce and to other consistorial causes; to facilitate reconciliation in such causes; to confer new powers on the Courts to award interim aliment; and for purposes connected with the matters aforesaid.

Price 8d net. *July 31st, 1964.*

Notes and Notices

PROFESSIONAL NOTICES

MESSRS ANNAN, DEXTER & CO, Chartered Accountants, of 21 Ironmonger Lane, London EC2, announce that as from October 1st they have taken into partnership MR ROBIN JOHN CECIL HILLER, A.C.A., who served his articles with them, qualified in 1957 and has remained a member of their staff since.

MESSRS ANNAN, DEXTER & CO, MESSRS GREENSLADE & CO, and MESSRS TODD, TANSER & CO, announce that they have entered into association with one another. Each firm will continue its separate practice but GREENSLADE & CO will practise from 3 Granby Street, Leicester, in addition to their existing offices at Drapery Buildings, The Drapery, Northampton, and 21 Ironmonger Lane, London EC2, and MESSRS TODD, TANSER & CO will also practise from 21 Ironmonger Lane, London EC2, and Drapery Buildings, The Drapery, Northampton, in addition to their present office at 3 Granby Street, Leicester.

MESSRS APPLEYARD, SQUIRES & CO, Chartered Accountants, of Lloyds Bank Chambers, Market Place, Dewsbury, announce that MR G. J. G. DALE, A.C.A., has been admitted into partnership. The new firm will practise under the style of APPLEYARD, SQUIRES, DALE & CO.

MESSRS CLARKSON, HYDE & CO, Chartered Accountants, of 54 Old Broad Street, London EC2, and 5 High Street, Romford, Essex, announce that on October 1st, 1964, they admitted to partnership MR PETER G. BRASSETT, A.C.A., A.A.C.C.A., who has been a member of their staff for nineteen years and managing clerk of their Romford office for the past seven years.

MESSRS COOPER BROTHERS & CO and COOPERS & LYBRAND announce that MR WILLIAM EDMUND CARNELLEY, F.C.A. has retired. MR CARNELLEY, who was admitted to partnership in 1946, has completed over forty years in the profession.

MESSRS DELOITTE, PLENDER, GRIFFITHS & CO and associated firms have moved to 128 Queen Victoria Street, London EC4. Telephone City 1244.

MESSRS DELOITTE, PLENDER, GRIFFITHS & CO, announce that MR HARRY SHIPMAN, F.C.A., was admitted as a partner in their Milan firm on October 1st, 1964.

MESSRS MICHAEL HALL & CO, of Cornhill, Ilminster, Somerset, announce that they have taken into partnership MR A. D. MITCHAM, A.C.A., and the firm name is now MICHAEL HALL, HUGHES & MITCHAM.

MESSRS HOGG, BULLIMORE & CO, Chartered Accountants, of City-Gate House, Finsbury Square, London EC2, and MESSRS GUNDRY, COLE & CO, Chartered Accountants, of Brewers' Hall, Aldermanbury Square, London EC2, announce that they have entered into association. Pending a complete amalgamation, the two firms will continue their separate practices at their present addresses, but MR S. R. HOGG, D.S.O., M.C., F.C.A., MR W. H. DURLAC, C.A., and MR D. G. W. BALLARD, F.C.A., have joined the firm of GUNDRY, COLE & CO as partners, and MR L. B. FIELDER, C.A., and MR

P. G. HOUNSFIELD, T.D., F.C.A., have joined the firm of HOGG, BULLIMORE & CO as partners.

MESSRS LEVER BROS & CO, Chartered Accountants, announce that Mr ERNEST L. YOUNG, F.C.A., who has been with the firm for many years, has been admitted to partnership as from October 1st, 1964.

MESSRS LIBBIS SMOUT & CO, Chartered Accountants, of 54 Old Broad Street, London EC2, and MESSRS MICHAEL J. G. TAYLOR & CO, of 71 Margaret Street, London W1, announce that they have entered into an association. With effect from October 1st, 1964, Mr M. J. G. TAYLOR, A.C.A., has been appointed a partner in the firm of LIBBIS SMOUT & CO, and both firms have moved to 85–86 London Fruit Exchange, Spitalfields, London E1.

MESSRS R. H. MARCH SON & CO, Chartered Accountants, and MESSRS H. THOMAS & CO, Chartered Accountants, announce that they have reached agreement for the amalgamation of their respective practices in London. As an interim measure, as from October 1st, 1964, MESSRS G. F. K. MORGAN, M.C., T.D., D.L., F.C.A., A. H. HART, F.C.A., M. A. JORDAN, A.C.A., R. M. H. READ, B.SC.(ENG), A.C.A., and H. E. WILLIAMS, A.C.A., will become partners in H. THOMAS & CO, and Mr H. H. THOMAS, F.C.A., will become a partner in R. H. MARCH SON & CO. Both practices will be carried on from 21 College Hill, Cannon Street, London EC4. Telephone City 9751. Mr C. W. G. KNIGHT, F.C.A., is retiring by mutual agreement from the firm of H. THOMAS & CO on September 30th, 1964, in order to devote his time to the educational side of the profession.

MESSRS MCBROOM & CO, of 275 Ecclesall Road, Sheffield 11, announce that they have admitted into partnership Mr JOHN ROLAND RODDIS, A.C.A., A.C.W.A., on October 1st, 1964.

MESSRS NICHOLSON, BEECROFT & CO, Chartered Accountants, announce that as from October 12th, 1964, their address will be St Vedast House, 150 Cheapside, London EC2. Telephone Monarch 1807.

MESSRS RIDLEY HESLOP & SAINER, Chartered Accountants, of 10 New Court, Lincoln's Inn, London WC2, announce that the partnership has been dissolved by mutual consent on September 30th, 1964. With effect from October 1st, 1964, Mr K. V. C. RIDLEY, F.C.A., has retired from public practice but will be available in a consulting capacity. Mr H. SAINER, F.C.A., will practise on his own account under the style of HENRY SAINER, and his address, for the time being, will be 10 New Court, Lincoln's Inn, London WC2. Mr C. E. WOOD, F.C.A., is carrying on practice on his own account at 5 Stokeleigh, Queens Road, Weybridge, Surrey. Mr A. ABRAHAMS, A.C.A., will be carrying on practice on his own account from 10 New Court, Lincoln's Inn, London WC2. Messrs K. J. DESSAUER, F.C.A., D. E. CHURCH, F.C.A., F. L. DUCK, F.C.A., and F. R. HOPKINS, F.C.A., will be practising in partnership together under the style of RIDLEY & CO, Chartered Accountants, at 10 New Court, Lincoln's Inn, London WC2.

MESSRS ROBERTSON & MAXTONE GRAHAM, Chartered Accountants, of 33–34 Charlotte Square, Edinburgh 2, and 54 Old Broad Street, London EC2, intimate that Mr RONALD W. MCGREGOR, C.A., a senior assistant of the firm was assumed as a partner on October 1st, 1964. The name of the firm and the other partners remain unchanged.

MESSRS ROOKE, LANE & CO, Chartered Accountants, announce that Mr N. H. STUBBS, F.C.A., retired from the partnership on September 30th, 1964.

MESSRS SHEARD, VICKERS & WINDER, Chartered Accountants, of 34 Castle Street, Liverpool 2, announce that as from September 30th, 1964, Mr LEONARD NORMAN WINDER, F.C.A., retired from the practice but remains associated with the firm as a consultant. The firm is being carried on by the remaining partners, Mr WILLIAM THOMAS HORSFALL, V.R.D., F.C.A., and Mr CLIFFORD PEARSON, F.C.A., at the same address. Mr WINDER will continue in practice with the partnership of WINDER & LLOYD, Chartered Accountants, of 109 Gloucester Place, London W1.

MESSRS SHIPLEY, BLACKBURN, SUTTON & CO, Chartered Accountants, of London SW1, announce that Mr CYRIL A. SOLLY, F.C.A., has retired from the firm. Mr BERTRAM SMITH, F.C.A., the firm's taxation manager, has been admitted to the partnership.

MESSRS SOOLE & CO, Chartered Accountants, announce that as from September 29th, 1964, their address will be Sicilian House, Sicilian Avenue, Southampton Row, London WC1. The telephone number is unchanged at Chancery 5721.

MESSRS TALBOT, ELLIS, JACK & CO, Chartered Accountants, announce that their address is now Regent Arcade House, 19–25 Argyll Street, London W1. Telephone Regent 1002.

MESSRS TAYLOR LOWE & CO, Chartered Accountants, announce that their London office has moved to 85–86 London Fruit Exchange, Spitalfields, London E1, with effect from October 1st, 1964. The address of the Liverpool office remains unchanged at 17 Harrington Street, Liverpool 2.

MESSRS WOOD, ALBERY & CO, Chartered Accountants, of London, announce that Mr E. JOSEPH, A.C.A., who has been a member of their staff for some years, has been admitted into partnership as from October 1st, 1964.

Appointments

Mr Philip Cottam, A.C.A., has been appointed chief accountant of Huntley & Palmers Ltd.

Mr Howard A. L. Dawes, A.C.A., Mr Peter Griffiths,

A.C.A., and Mr Stuart C. Mackay, A.C.A., A.C.W.A., A.C.I.S., who have been executives of Neville Industrial Securities Ltd for several years, have been appointed full-time executive directors of the company.

Mr F. R. Loader, F.C.A., F.C.W.A., A.C.I.S., has been appointed financial director of Woods of Colchester Ltd.

Mr G. Prentice, F.C.A., formerly secretary of Shell Transport and Trading Co Ltd, is joining M. Samuel and Co Ltd as comptroller.

Sir Halford Reddish, F.C.A., has been elected a director of Granada Group Ltd.

Mr J. D. Rennie, C.A., A.C.W.A., has been appointed secretary of Smith's Dock Co Ltd.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

President's Luncheon

The President, Mr W. Guy Densem, and members of the Council of The Institute of Chartered Accountants in England and Wales gave a luncheon on Wednesday at Tallow Chandlers' Hall. The guests were the Lord Mayor of London, Alderman Sir James Harman, Mr Alderman and Sheriff A. C. Trinder, Mr A. J. B. Rutherford (*Chief Commoner*), Mr Leslie B. Prince (*Chairman, Rates Finance Committee*), Mr Deputy O. G. Sunderland (*Chairman, Billingsgate and Leadenhall Markets*), Mr E. W. Watts (*Chairman, Music Committee*), Mr F. S. Smith (*Chairman, Civil Defence*), Mr Deputy R. J. Hayward (*Chairman, Establishment Committee*), Mr C. R. Whittington (*The City Chamberlain*), Mr E. H. Nichols (*The Town Clerk*), Mr Desmond Heap (*The Comptroller and City Solicitor*), Mr Paul C. Davie (*The Remembrancer*), Mr R. S. Walker (*The City Surveyor*), Colonel N. F. B. Shaw (*Private Secretary to the Lord Mayor*), Brigadier R. H. S. Popham (*The Swordbearer*), Brigadier P. J. E. Clapham (*The Common Cryer and Serjeant-at-Arms*), Colonel G. E. P. Hutchins (*The City Marshal*).

THIRTY-TWO YEARS' SERVICE

A luncheon to mark the occasion of the retirement of Miss B. K. Lawlor, B.A., T.C.D., after thirty-two years' service as secretary and librarian of the Belfast Society of Chartered Accountants, was held recently in Belfast. A total of 130 members attended including the President of The Institute of Chartered Accountants in Ireland, Mr John Love, F.C.A.

The Chairman of the Society, Mr Norman G. White, F.C.A., presented Miss Lawlor with a radio set and a cheque subscribed by members and students as a tribute for her long and devoted service, and on behalf of the Students' Group, Mr Robin McConnell, the Chairman, presented a portable typewriter. Mr White praised the manner in which Miss Lawlor had organized the Society's many professional and social functions during her term of office and in addition, the fact that it was largely through her that the Institute's library had been maintained in its present condition. He added that since the formation of the Students' Section in 1939, Miss Lawlor had devoted considerable energy in arranging lectures and students' social functions.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

Irish Companies Act, 1963

The Secretary of The Institute of Chartered Accountants of Scotland has received the following letter from the Department of Industry and Commerce, Dublin:

'I am directed by the Minister for Industry and Commerce to refer to your letter of the 7th instant, and previous correspondence and to inform you that, subject to the conditions stated below, he has afforded recognition to The Institute of Chartered Accountants of Scotland under subsection (1) (*a*) of section 162 of the Companies Act, 1963.

The conditions attaching to the recognition are as follows:

(i) recognition may be withdrawn by the Minister at any time;

(ii) the Institute shall furnish to the Minister on request information regarding the holding of examinations, appointment of examiners, enforcement of discipline etc.;

(iii) the Institute shall furnish to the Minister a copy of any proposed alterations to the Charter Rules or Bye-laws.'

Section 162 of the Irish Companies Act, 1963, corresponds broadly to section 161 of the United Kingdom Companies Act, 1948.

P. D. LEAKE RESEARCH FELLOWSHIP

Mr J. M. Samuels, B.COM., A.A.C.C.A., has been appointed to a P. D. Leake Research Fellowship tenable in the University of Birmingham for the academic year 1964–65. Mr Samuels proposes to conduct research into 'A programming approach to the allocation of costs, including joint costs, and decentralized decision-making, involving internal pricing within the firm'.

The P. D. Leake Trust is a charitable trust created under the will of the late Percy Dewe Leake (a member of The Institute of Chartered Accountants in England and Wales from 1886 until his death on November 27th, 1949) for the benefit and advancement of the sciences of accounting and of political economy including the subject of public finance and taxation. The P. D. Leake Committee, comprising five members of the Council of the Institute, decided in 1956 to provide funds for the establishment of P. D. Leake Research Fellowships; the object of the Fellowships is to provide university facilities for experienced accountants to carry out research in subjects with which the accountancy profession is directly concerned.

CITY DISCUSSION GROUP

The next meeting of the City Discussion Group of the London and District Society of Chartered Accountants will be held next Wednesday at the White Swan, Coleman Street, London EC2, at 6 for 6.30 p.m., when the subject for discussion will be 'The practitioner inquiry'. Mr Geoffrey A. Holmes, F.C.A., assistant editor of *Accountancy*, will lead the discussion.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

The following ten members have been elected to fill vacancies on the Committee of The Chartered Accountant Students' Society of London:

Messrs J. P. Brooks, B.A. (Price, Waterhouse & Co), C. L. Burr (Amsdon, Cossart & Wells), A. J. Cartmell (Wilde, Ferguson-Davie & Miller), P. J. de Veulle, B.A. (Broads, Paterson & Co), Lt-Comdr A. C. E. Higgens, D.S.C., A.C.A., A.C.W.A., R.N., G. B. C. Hughes, M.A., F.C.A. (Wilde, Ferguson-Davie & Miller), N. M. MacDonald (Smallfield, Rawlins & Co), A. R. L. Selkirk, B.A. (Smith & Williamson), P. D. Taylor, B.A. (Thornton Baker & Co), R. C. Tomkinson, B.A. (Ball, Baker, Deed & Co).

INTERNATIONAL FISCAL ASSOCIATION

United Kingdom Branch

The first meeting of the 1964–65 session of the United Kingdom Branch of the International Fiscal Association was held in London last Tuesday, when members heard a report on the proceedings of the Association's congress held in Hamburg from September 7th to 11th (a report of which appeared in *The Accountant* of September 19th), followed by an address on 'Tax highlights of the past year', by Mr A. Dale, F.A.C.C.A.

Among further meetings to be held by the Branch during the present session are:

October 22nd: 'Some practical points in the double taxation field', by Mr J. H. Williams, Chief Inspector of Taxes (Double Tax Relief), Inland Revenue.

December 8th: 'Brains Trust'.

January 5th, 1965: An address on a topical tax theme, by Professor G. S. A. Wheatcroft.

March 10th: 'The harmonization of direct taxes in the Common Market', by Mr G. Heerkens, general problems division, Directorate-General for Competition, E.E.C. Commission.

April 30th, Annual dinner.

May 4th: Annual general meeting.

The Association's 1965 Congress will be held in London at Church House, Westminster, from September 13th to 17th. The subjects for study will be 'Form and substance in tax matters' and 'Advance rulings by tax administrations'.

Further information regarding the work of the International Fiscal Association and the activities of the United Kingdom Branch are obtainable from the honorary secretary, Mr G. J. Bellenie, 6 St James's Square, London SW1.

ANNOTATED TAX CASES

Part 2 of Volume XLIII of the *Annotated Tax Cases*, edited by Mr Peter Rees, of the Inner Temple, Barrister-at-law, is published today and contains reports, with notes on the judgments of the following cases: *Vandervell v. C.I.R.* (Ch.D.); *Meredith v. Hazell* (Q.B.D.); *B. W. Nobes & Co Ltd v. C.I.R.* (Ch.D.); *Soul v. C.I.R.* (Ch.D.); *Soul v. Caillebotte* (Ch.D.); *Chancery Lane Safe Deposit and Offices Co Ltd v. C.I.R.* (Ch.D.); *English Electric Co Ltd v. Musker* (H.L.); *Rendell v. Went* (H.L.); *C.I.R. v. Binns Ltd* (H.L.).

The annual subscription is 50s post free and the publishers are Gee & Co (Publishers) Ltd, 151 Strand, London WC2.

REVENUE PAPER

Michaelmas Sittings, 1964

The following cases are down for hearing during the Michaelmas term:

COURT OF APPEAL

Chancery Lane Safe Deposit and Offices Co Ltd *v.* C.I.R.
B. W. Nobes & Co Ltd *v.* C.I.R.
Soul *v.* C.I.R.
Vandervell *v.* C.I.R.
C.I.R. *v.* E. Bates
C.I.R. *v.* G. B. Bates
White *v.* Franklin
Barentz *v.* Whiting
Bates *v.* C.I.R.

HIGH COURT (Chancery Division)

Hopwood *v.* C. N. Spencer Ltd.
Hale *v.* Shea.
Orchard Parks Ltd (in liquidation) *v.* Pogson.
Orchard Parks Ltd (in liquidation) *v.* C.I.R.
Norman *v.* Evans.
Dodd and Tanfield *v.* Haddock (Cases restored).
Re Dawes, decd, Dawes and The General Commissioners of Income Tax in the Wallington Division of Surrey *v.* C.I.R.
Elson *v.* James G. Johnston Ltd.
Finsbury Securities Ltd *v.* Bishop.
Pyne *v.* Slade Stallard-Penoyre (Exor. of S. B. Stallard-Penoyre, decd).
Lawson *v.* Hosemaster Machine Co Ltd.
Aeraspray Associated Ltd *v.* Woods.
Bourne *v.* Auto School of Motoring (Norwich) Ltd.
Frazer *v.* Trebilcock (t/a Vernons School of Motoring).
Coghlin *v.* Tobin (t/a Thanet School of Motoring).
Harrison *v.* Willis Bros (W. H. Willis and Exors. of H. H. Willis, decd).
C.I.R. *v.* Park Investments Ltd.
Woodrow, Exor. of the Will of C. D. Woodrow, decd *v.* Whalley.

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE ACCOUNTANT

ESTABLISHED 1874

OCTOBER 17TH, 1964 VOL. CLI. NO. 4687

CONTENTS

Deportment Department

THE age of anonymity, to paraphrase EDMUND BURKE, is gone. That of publicity has succeeded. It is all the more important, therefore, that the true professions, in which every form of self-advertisement is severely frowned upon, should continue to strive to resist this regrettable trend of the times if they are to preserve one of their most decorous and distinctive characteristics. For that reason, we are pleased to be able to reproduce in this issue the revised and expanded thoughts of the Council of The Institute of Chartered Accountants in England and Wales on publicity and other aspects of members' conduct. They apply with equal force to qualified accountants everywhere and, indeed, would need little modification in order to cover the desired deportment of members of other professions.

The Council's statements will be included in Section E of the *Members' Handbook* and differ in a number of respects from statements which they are intended to replace. Those dealing specifically with 'fringe' activities have been extended to include the member as broadcaster, lecturer and election candidate, in all of which roles he may become the victim of unwelcome and unsought publicity. The Council also incorporates new or revised notes on such matters as the design of advertisements for staff and for the disposal or acquisition of a business or property and the appearance of a member's name on printed envelopes and on financial accounts and other publications issued by clients. In this connection, it condemns the presentation in published accounts of public companies in the United Kingdom of audit reports on headed notepaper in facsimile form. Apropos of notepaper, a new note defines the proper uses of the much abused word 'consultant'.

In reconsidering the etiquette and procedure involved when a change in a professional appointment is proposed, the Council has clearly been inspired by recent happenings. Its previous statement on this topic has been elaborated considerably to make clear beyond doubt the attitudes which the interested parties should adopt. Communication between them, as the Council points out, is not a question merely of professional courtesy. The purpose is to enable the nominated successor to ascertain if the circumstances causing the change are such that he can conscientiously accept without himself committing any breach of recognized professional behaviour. The Council's definitive treatment should make misunderstandings virtually impossible from now on if due discretion is exercised. But then, if discretion – which is the keystone of seemly deportment – were invariably exercised, there would be little need for the Council to formulate its excellent precepts.

Computer Input Systems

by H. WASHBROOK, A.C.I.S.
Fellow of the O. & M. Society; Member of the British Computer Society

WHEN consideration is given to the installation of an electronic computer, accountants often give scant attention to the characteristics of the input equipment. Initially, accountants usually (and quite rightly from their point of view) regard computers with suspicion, but it is my opinion that not enough suspicion is lavished upon the input medium.

At the risk of stating the obvious, a computer can be no more accurate than the information it receives (although certain qualifications to this will be mentioned later) and, since accuracy is a subject dear to an accountant's heart, it is important to give maximum attention to the question of input equipment.

It is not necessary for an accountant to know how an electronic computer functions, any more than it is necessary for him to know the workings of a telephone; but he must have, and can easily obtain, control of computer input information in order that he can accept the output as being in accordance with his requirements. I shall not deal here with the time-honoured accounting methods, such as control accounts (which, of course, have their due place in computer control), but shall rather treat the various computer input methods from the control aspect.

(a) Directly Punched Cards or Tape

The ability of directly punched cards or tape machinery to punch holes in the right places can now be taken for granted, as this equipment has virtually been fully developed; so that provided the right keys are depressed, one can expect the right answers. However, the principle of checking that the right keys *have* been depressed, by a second operator re-keying from the same basic information (verification), needs further consideration.

It must be realized that verification does not produce 100 per cent accuracy, although it is surprising how many accountants appear to assume that it does. The verifier may read a badly written figure in the same way as the original puncher, or careless and/or bad operators and coincidence, produce a margin of error which varies according to the circumstances of any particular job.

One organization I know punches the basic information yet a third time, and although this obviously substantially reduces the margin of error – at some considerable expense – errors still occur. In my view where accuracy is essential, it is better to tie back the results of punching to a prelist, either as well as, or instead of, verification. This is especially so where the input is already in such a form that a prelist is automatically available at no extra cost, e.g. cash receipts which are required by an existing system to tie back to cash batches and, ultimately, to cash-banked totals.

(b) Cards or Tape Punched as a By-product of an Accounting etc. Operation

For some accounting purposes, and especially where it is necessary to have a hard copy record instantly available, it is convenient to have the machine producing the hard copy equipped to produce punched cards or tape for that portion of the hard copy information which it is desired to feed to a computer for further processing. Where this obtains, one already has a prelist provided.

Two points require special consideration in such cases. First, that the machine is foolproof in the sense of always punching the holes corresponding to the keys depressed. (Some of the earlier machines were especially prone to this kind of defect and sometimes the machines failed to punch at all when they should have done so. The possibility of either of these defects occurring without detection has now been eliminated in the better-known equipment.) The other point to note is whether or not the speed of punching is limited by the machine, i.e. the operator is prevented from keying in further information until the machine has completed punching the by-product tape or cards. (I believe that only one brand of equipment has a buffer which enables the operations of keying in and by-product punching to overlap. Tests have shown that buffered machines are able to cope with a significantly larger volume of input, which could result in substantial savings in operators and machines.)

(c) Use of By-product Type Machines for the Direct Production of Punched Cards or Tape

Especially from an accountant's point of view there is much to be said for using by-product card or tape type equipment, even where it is not strictly necessary for hard copy record or other purposes. The advantages include:

(i) the provision of prelist and auditable data, as mentioned above;

(ii) the 'full' keyboard of such machines may enable a significant number of keying-in operations to be saved, speeding up the punching and reducing the possibility of error. This is because there is no need to punch significant or non-significant zeros, e.g. on such machines £1,000,009 00*s* 03*d* needs only three key depressions as against, say, eleven key depressions on conventional card or tape punching machines. The value of such facilities depends very much on the composition of the input;

(iii) in an emergency full-keyboard machines can be used to continue operation of the system on a hard copy basis – e.g. a breakdown of the computer or its supplies;

(iv) such machines can be used by untrained labour after a few minutes' tuition, as against several months' with the conventional tape or card punching equipment.

(d) Use of Punching Equipment with Automatic Check-digit Verification

Some types of tape or card punching equipment have an 'electronic box' which checks that the digits in input numbers comply with some mathematical formula of summing and/or division of the numbers, so that it is impossible for the equipment to accept a number which does not conform. This check can only be placed on the non-variable input data, for example, catalogue reference numbers, agents numbers, etc. This is because it implies that such numbers have had an extra digit imposed on them in the preparatory allocation of such numbers to make them conform to the formula.

Nevertheless, such a system applied to account numbers etc. avoids the possibility of posting to wrong accounts and its advantages are additional to those referred to above for equipment not having the check-digit device.

(e) Use of Telex-type Equipment to Feed Data Directly into a Computer

The use of Telex-type of equipment is a more controversial method of input with which I have recently been experimenting. It involves the connection of Telex or similar input equipment directly to a computer, whereby data can be keyed-in from a bank of such equipment, perhaps located in the room adjoining the computer. Telex-type equipment is suggested merely because this standard type of machine is relatively cheap (several times less than most conventional accounting machines).

It is only comparatively recently that such a method of input has become practical. Until the advent of relatively faster computers with standard interfaces and automatic hardware or software to deal with the scanning of multi-input devices, such an arrangement would have been technically difficult and, in any event, would have slowed down the operation of the computer tremendously.

The advantages of such an arrangement are that the computer can be used as a common check-digit verifier, thereby obviating the expense of electronic check-digit equipment on each individual input machine; and because, in appropriate circumstances, one can arrange for some of the variable data to be checked also. Thus, if an agent, in submitting new items of cash and orders, also supplies his new 'carried forward' balance according to his records, the computer – 'knowing' the original 'brought forward' balance and taking in the current transactions – can calculate the new carried forward balance and compare it with that presently submitted by the agent. Such a system is virtually foolproof and incidentally provides a still further safeguard against posting to the wrong account.

The fact that the computer can immediately signal back to the input operator if there is any discrepancy is a great aid to quick processing and accuracy, as she can check with the original information which is still before her. This is immensely preferable to the computer printing out exceptions which would have to be laboriously matched to the corresponding input information.

(f) Mark-sensing of Punched cards

Mark-sensing of punched cards is really a less accurate method of input than cards punched directly since, in addition to the fact that there can be no verification other than by sight, there is a tendency for the original marking to be done carelessly, especially if the cards are marked by someone as an incidental part of his job rather than as a full-time specialist.

However, on some applications this method may be acceptable, though in such cases it is

better to have specialist markers. It is not only that the input information may be wrong, but also that cards badly marked in the right places may cause computer rejects and hence slow down the rate of computer processing.

(g) Optical Scanning

Input equipment of the optical scanning type can be classified under two headings – line readers and page readers.

At the present time page readers available for general office usage are really elaborate mark-sensing devices only, in that one has to make marks either manually or by machine to represent words or numbers. These marks are, in turn, optically read by the computer. This method suffers from most of the disadvantages of mark-sensing cards, and additionally it is a relatively slow and expensive method of computer input. It has possibilities in some limited applications.

Line readers, as their name implies, read only one line at a time (sometimes two), so that they are even slower than page readers. On the other hand they can read printed words, provided these are impressed in special characters by computers, typewriters, accounting machines and the like, which have been provided with the relevant type font.

Such a reader implies that there is either only one line to be read on any input document or, if there are more, it means that the reader has to be 'set-up' to read extra lines on successive passes through the computer. Although there is a very small error rate on such equipment, the rate of rejection is comparatively high if special measures are not taken. Such rejections can play havoc with data processing schedules and, apart from slowing processing, each rejection has to be interpreted for cause.

It is not often realized that rejections can be caused by such things as dirty finger-marks distorting the print image, or by carelessly placed rubber stamp impressions. I know of one installation where this equipment is used to read one line specially printed by the computer on issued cheques, after they have been returned from the bank. However, within the one line, the information is repeated three times because it has been found in practice that bankers' stamps and/or other marks can cause rejections. The computer is therefore programmed to reconstruct the information from any unmutilated characters anywhere on the line, whether in unbroken sequence or not.

The employment of this form of input is accordingly relatively expensive; it is little used in Britain and then mainly by such institutions as banks and insurance companies which lend themselves more readily to this type of equipment and who are more able to control the type of documents processed.

Earlier, it was stated that a computer can be no more accurate than the information it receives; but this is true only in so far as it 'accepts' the information. The qualification is that it is often possible to build into computer programs certain acceptable parameters, so that any input outside these parameters is automatically suspect and rejected by the computer. For example, it may be known that no manual workers' hourly rate ever exceeds a certain figure, so that 'input' above the amount is automatically rejected. The important thing here is to see that the computer is not programmed to halt in such circumstances, but merely to reject the input and inform – say, by printing a comment on the output typewriter – so that the computer continues uninterruptedly to process the remaining correct data.

Conclusion

Good accounting system and program work can detect many more types of errors. For example, programs for dealing with orders by post may require the catalogue number, the first three letters of the description of the merchandise and the price, to be quoted. If, in such circumstances, the computer has the standard catalogue information stored, it can automatically check that the three elements of the input information agree, thus guarding against the possibility of any one being inadvertently misquoted.

To summarize, input accuracy is probably the accountant's greatest justification for the control of electronic data processing and as I expressed at the beginning of this article, in my view, too little attention is paid to input equipment and methods. Even where attention *is* given to the subject, accountants tend to accept the mode of input suggested or recommended by other sources without question and concentrate on making it as effective as possible from their point of view. I suggest that a knowledge of the pros and cons of the various types of equipment and methods enables one to select the mode that is best suited to a particular application, and to discount the disadvantages not important to that particular application. More likely, the solution will lie in a combination of methods rather than in supposing that there must necessarily be a single standardized method.

The Declining Purchasing Power of Money

by HUGH FERGUSON, A.C.I.S.

THE fact that the purchasing power of money has fallen and is falling is apparent to all. Governments in general can do little more than attempt to arrest the decline. In the United Kingdom, the ten years' (1953–63) average rate of decline was 2·6 per cent per annum compounded. In order that readers may appreciate what this means, the accompanying table has been prepared to show the probable effect as from January 1st, 1964, of a continuance of a 2·6 per cent annual decline of purchasing power on, for example, a loan or deposit of £100 over the next ten, fifteen and twenty years, respectively, earning assumed gross interest rates of 3, 4 and 5 per cent per annum, respectively.

£100 Loan or Deposit Assumed loss of purchasing power over 10, 15 and 20 years at 2·6 per cent per annum compounded.		Interest Receivable on £100 Loan or Deposit Gross Rates of 3, 4 and 5 per cent assumed to be payable for 10, 15 and 20 years. Net interest is arrived at after deduction of income tax at 7*s* 9*d* in the £ from the gross amounts.						
Loss per £100		3 per cent		4 per cent		5 per cent		Period
End-year	£	Gross £	Net £	Gross £	Net £	Gross £	Net £	
1964	2·6	3	1·84	4	2·45	5	3·06	= 1 year
1974	23·16	30	18·37	40	24·5	50	30·62	= 10 years
1979	32·64	45	27·56	60	36·75	75	45·94	= 15 ,,
1984	40·95	60	36·75	80	49	100	61·25	= 20 ,,

For example, a non-taxpayer such as a charity, holding a 5 per cent deposit or loan would collect £100 of gross interest over a period of twenty years. But £40·95 of purchasing power of the principal (loan or deposit) will have been lost by the end of the twentieth year; so that the real return in purchasing power terms would be only £59·05 (£100 minus £40·95) or at an average rate of under 3 per cent per annum since the beginning of 1964. Where pensions and allowances are payable, maintenance of purchasing power is paramount.

Likewise, assuming income tax at 7*s* 9*d* in the £ over the whole period of twenty years, £61·25 net would be received on a 5 per cent gross loan or deposit; but after subtracting £40·95 in respect of loss of purchasing power of the principal (loan or deposit), there would remain only £20·3, which would be equivalent to an average purchasing power rate of just over 1 per cent per annum.

Actually, if the 2·6 per cent average rate of decline in purchasing power had been applied annually to gross and net interest, as it was to the principal only, the amounts shown in the table would be appreciably less and, indeed, the purchasing power return would appear to be negative for taxpayers at 7*s* 9*d* in the £ receiving less than a gross interest rate of 4 per cent. On this reasoning, political advocates of low interest rates have still to do much thinking.

What must be obvious to everyone is that a 2½ per cent deposit or loan earns only 6*d* in the £ gross, subject to tax where applicable; whereas the principal or capital itself is losing more than 6*d* in the £ (gross and net) of purchasing power annually, based on the average rate of decline of 2·6 per cent in the 1953–63 period.

Already in 1964, judging by actual and impending price rises, it seems likely that the assumed rate of decline of 2·6 per cent will prove to be an under-assumption. The Treasury's *Bulletin for Industry* for August stated that by mid-June the *retail price* index was 2½ per cent higher than at the beginning of the year, and 3½ per cent higher than in June 1963.

The purpose of preparing the table has been to illustrate the reasoning supporting purchases of equities of first-class companies in the van of progress. Trustees who have not availed themselves of the power given by the Trustee Investments Act, 1961, carry a heavy responsibility.

O. & M. for the Smaller Client – II

by J. G. SIMPKINS, F.C.A.

Reduction of Handling Costs

THE reduction of handling costs by mechanization is widespread, particularly in industry.

81. In the retail trade, the sale of goods from samples or patterns is common. For example, furniture is kept on display in the shop, but a customer ordering goods receives delivery not from the shop but from the manufacturers. This may well delay delivery, but it occasions a marked reduction in the stock that needs to be carried and an even more marked reduction in handling costs.

82. In the same way self-service shops and cafeterias have gone a long way to solving this problem of handling costs, and so saving the time not only of their staffs but of their customers too. Even where goods are handled by assistants, time can be saved by having nearest to hand the stock most frequently required.

83. Many firms have discontinued deliveries altogether. They often have an associated concern in adjoining premises who will deliver at a charge. Like many developments in this direction, this is probably an American idea, but not necessarily inappropriate to this country merely because of it.

84. Other firms have buffer depots which they stock in offpeak times of the week so that, for example, week-end deliveries by a brewery are not delayed by the need for long lorry journeys from brewery to public house.

85. In the office an illustration of reduced handling time is to be found in the comparatively recent lateral filing which is to a great extent superseding the four-drawer cabinet with suspension filing. The costs of installation are somewhat similar but the lateral filing is much quicker in operation, as well as often leading to some saving in space.

The Flow of Goods

86. If possible, arrangements should be made for a steady flow of goods from the time that the raw materials are received to the time that the final goods are dispatched. It may help to arrange this if diagrams are prepared showing the route taken by the materials from the receiving bay to the store, through the factory and to the outward dispatching bay.

87. It may be practicable, given a favourable site, for the inward raw materials to be taken to a higher level so that they can be passed from department to department by gravity so saving the expense either of conveyor belts or porterage.

88. Proper routing can be used to avoid congestion or conflicting movements either of staff or of materials. Avoiding such congestion by 'in' and 'out' doors between a hotel dining-room and the kitchen is an excellent example of this and the arrangement of food in a cafeteria is another instance of 'one way traffic' that comes readily to mind.

89. Another recent instance concerned packing flowers. The benches at which packers worked were originally arranged along the walls of the room and it was found that they spent a great deal of their time collecting flowers, paper and boxes and comparatively little of their time actually packing. Some improvement in output was secured by arranging that the packers concentrated on packing and that porters should bring the cut but unpacked flowers, paper and boxes. This led to a certain amount of congestion when the porters were depositing materials from the same side of the table as that at which the packer sat. Considerable saving in time and reduction in congestion was then brought about by rearranging the packing bay and by moving the tables away from the walls so that the porters could place materials on the side of the table away from that at which the packers were at work.

90. This principle extends to many offices attached to factories or warehouses where a steady flow of raw materials is supported by an equally steady flow of paper. Substantial saving can be obtained by routing the paper work around the office to avoid constant transporting to and fro. Clearly this is of little application in an accountant's office where, broadly speaking, the papers do not have to pass from room to room or department to department, though it might usefully be borne in mind when siting filing cabinets or reviewing the system for dealing with the post.

Avoidance of Peaks

91. Staff to deal only with peak period rushes are an expense so that some effort should be made to spread the work throughout the day, week or year as the case may be.

92. To some extent it may be possible to eliminate peaks by making higher charges at peak periods. This is commonplace in the tourist industry. Air fares are higher at summer week-ends for example, and hotel charges are often increased for the peak period.

The concluding part of a paper presented at the Cambridge Summer Course of The Institute of Chartered Accountants in England and Wales on September 12th.

93. Where this is neither practicable nor desirable, consideration must be given to avoiding peaks in some other way. Where goods are received in unusually large quantities at a particular time – for example, intermittent but nevertheless complete lorry loads – adequate storage space for unpacked and unsorted parcels will often permit staff to deal with them at a more convenient time and avoid recourse to peak period overtime.

94. One way of avoiding peaks is by preparing goods for sale beforehand rather than in preparing them only when a customer comes in. An everyday example of this is the pre-packed food which has taken the place of the grocer's assistant weighing out his half-pounds of butter every time a customer called.

95. In an accountant's office much can be done to reduce the seasonal pressure of work after March 31st and December 31st every year. For example, work can often be spread throughout a trading year by resorting to interim audits so avoiding pressure of audit work at a time when many businesses are ending their financial year. In the same way, although one has to remember that there are often sound business reasons for ending a financial year at a particular date, the year-end is sometimes at the discretion of the accountant. The accountant who can spread his clients' financial years so that he can ensure a steady flow of work rather than a peak for December 31st or March 31st is fortunate and it is worth attempting to emulate him.

96. A contribution which accountants can make to O. & M. is to ensure that the financial year ends at a time when stocks, debtors and creditors are at their lowest. There is also some advantage in arranging a year-end at the start of the 'trough' so that the client can spare time more readily to deal with his accounts than would be the case if the year-end were to be at the start of a peak.

Abolition of 'Defensive' Procedures

97. In the course of his inquiries as to why a job is done, the accountant may well find not only a number of jobs for which there is no excuse at all, but also some for which the justification is purely defensive – that they exist merely to prove that someone else must have made the mistake. Many forms and file notes are intended to have this purpose. They get the business no further forward, they clog files and delay filing clerks.

98. It is necessary to consider the value of such defensive records in the light of the cost of preparing them.

99. The manual telephone switchboard is a 'defensive' installation to some extent in that it prevents staff from making unauthorized use of the telephone. However, the cost of this unauthorized use is likely to be appreciably less than the cost of the salary of the switchboard operator, so that an automatic switchboard, automatic branch exchange or house exchange may be economically justified on this score alone.

Curtailing Unprofitable Activities

100. Having considered what contribution each class of sale or each line of product makes to the final net profit, one may be forced to the inescapable conclusion that some departments or lines contribute virtually nothing at all, and that perhaps ten out of twenty lines are responsible for 90 per cent of the total sales.

101. Curtailing unprofitable or marginal activities carries with it numerous advantages apart from the concentration of effort. Overheads tend to fall, the costs of stocking diminish, and in a manufacturing business there is often a substantial increase in output stemming from larger production runs.

102. Dr Beeching is perhaps one of the best known exponents of closing down unprofitable activities and its application to many businesses must be obvious. It should be borne in mind when considering closing down unprofitable departments that such closure may adversely affect the takings in other departments, quite apart from the fact that an apparently unprofitable department may be absorbing some of the overhead expenses which, in the alternative, would have to be borne by the profitable departments. In other words, there is scope here for marginal costing and the business needs to be looked at as a whole before any section of it is curtailed.

Improved Clerical Methods

103. A great deal can be done to improve clerical methods without recourse to machinery. Improved layout of stationery is a case in point. For example, it is commonplace for manufacturers to use pads of stationery so that the first part is the work's order, the second part the delivery note, the third the invoice and so on. With this end in view, we should consider a common layout for forms that contain certain common information. In this way, repeat typing or writing at every stage may be minimized, so saving time as well as reducing the risk of error.

104. Where pads of stationery with multi-purpose copies are used, the copies can each be differently coloured to facilitate sorting. It has long been the practice to use coloured documents for different purposes to aid identification or filing. White railway tickets for first-class passengers and green for second-class come immediately to mind. Many outfitters mark the size of their clothes in distinctive coloured labels.

105. It has already been suggested that an accountant can well use duplicated audit programmes and working papers. If different kinds of instructions or working papers can be duplicated on different coloured papers, identification and storage are facilitated.

106. Typing can often be reduced by the use of window envelopes, although their use in this country

is largely confined to invoices and statements. They are very seldom used for correspondence though there seems to be no particular reason why they could not be.

107. Even with a typewriter itself, there is scope for the O. & M. man. Print of, say, twelve characters to the inch will show a considerable saving in stationery costs over print of ten to the inch. In an accountant's office the practice of typing accounts in pounds only, and omitting the shillings and pence, is increasingly common.

108. It is important not to be mesmerized by machines. Carbon paper or the more recent NCR paper may make a photocopier superfluous. For a short time, a ready reckoner may be as fast as a calculating machine, and hand writing short notes or descriptions may be faster than typewriting, even if not always as legible.

Use of Machines Generally

109. It is often said that to be justified a machine needs to be used for substantially the whole of the time. This is not true; most housewives, for example, use their washing machines only occasionally, and our cars are seldom in constant use.

110. Machines clearly have many advantages. Often, the speed of their operation controls the speed of manual labour and in many cases, too, it is possible to use a lower grade of labour to operate a machine than would be necessary if the work were to be done manually.

111. The use of credit transfers for payment of suppliers' accounts is an instance of short cuts which need no machine. On the other hand, if these credit transfers can be used in conjunction with addressing machines or punched-card equipment the saving in time is greater still.

112. The fact remains that when there is likely to be substantial use the cost of a machine is almost invariably justified. Nearly always, when once a machine has been obtained, further uses will be found for it, making its cost even more worth while.

113. It is appropriate to consider the more expensive machinery, such as book-keeping machines or punched-card machines, only in very general terms. These machines are relatively expensive and few accountants have sufficient work for them to justify the cost of hire. On the other hand, there may be many of their clients who are similarly placed, so that the installation of such machines could be justified if work could be done for clients on the basis of a bureau. If this justifies the equipment on economic grounds it is well worth obtaining, for such machinery leads to a very real gain in efficiency.

114. One general point should be borne in mind when purchasing or hiring any machines. The scope of the work intended for it may expand and it may change too. This being so, it is unwise, to put it no higher, to get a machine which is only just capable of doing the work planned. There must be some reserve both of capacity and of flexibility to deal with the work as it develops lest one is to be faced too soon with an expensive machine that is almost useless to do its work in altered circumstances.

115. There is often some advantage in hiring a machine instead of purchasing it outright, even apart from not tying up capital that might be better employed elsewhere, in that there is no financial inducement to retain an obsolete machine when a contemporary model can be rented in its place.

Photocopiers

116. Photocopiers have so many uses that it is difficult to illustrate their application under any one heading.

117. Their first purpose was to copy original documents and for this their use is undoubted. On the other hand, it is questionable whether in an accountant's office this use would justify the expense of purchasing the machine in the first instance.

118. However, there are many extensions of this original use. If, for example, standard income tax computations forms, including capital allowance computation forms, are prepared either by printing or duplicating, it will leave only the figures to be inserted. These figures can be inserted, even in pencil, by the audit clerk preparing the accounts. Once the computations have been completed in this way, two photograph copies can be prepared, one being sent to the Inland Revenue and one placed upon the file.

119. The photocopying can be done by a junior member of the staff; there is no typing to be done neither is there any checking. The saving of time, and therefore of expense, is considerable.

120. An efficient photocopier will photograph pencil as well as all kinds of ink and advantage can be taken of this by using a pencil for variable information.

121. For example, a summary of an income tax return can be printed on a single foolscap sheet. Such a form may be of practicable application only in the fairly straightforward case where, for example, there is business income shown as 'to be agreed', one or two constant sources of other income and various personal and life assurance allowances and reliefs.

122. The master copy of this return can be typed or written in ink to show the constant information, such as the business income and the fact that it is 'to be agreed', the fact that there is a Post Office Savings Bank account, the Christian names of the wife, the names and dates of birth of the children, the life assurance policies and so on. The information which changes each year, such as the year of the income tax return, the year of the claim for allowances and the amount of the Post Office Savings Bank interest can be inserted in pencil. Two copies can

then be photographed, one being for the file and one for insertion in the income tax return which is simply marked with a rubber stamp 'see schedule attached'.

123. The permanent draft can then be filed away and next year only the pencilled figures and any other changes in personal circumstances will require amendment. This again saves an appreciable amount of time both in typing or preparing the return in the first place and checking the return in the second place to ensure that the constant information has been correctly copied.

124. A word of caution, however. It is essential prior to such a scheme being mounted, that the local Inspectors of Taxes should approve it lest the accountant concerned be faced with the disastrous circumstance that all returns submitted through his office are sent back by the Inspector of Taxes as unacceptable.

Addressing Machines

125. In many circumstances, there are substantial advantages to be derived from the use of addressing machines.

126. They have an obvious use in addressing envelopes, particularly for a series of addresses used in connection with the same matter. Such a device has the great advantage that once the plate or transfer has been checked, its continued accuracy can be taken for granted for it cannot be altered inadvertently.

127. This is another example of the simplification of a job. An office junior can work an addressing machine whereas a copy typist would be required to type the envelopes and all would have to be checked for accuracy.

128. Addressing machines are frequently used for addressing customers' statements and in such a case the plate often incorporates numbers or letters to show credit information to the ledger clerks. Similarly, the traveller's round may be given to assist managerial supervision. For example, all plates bearing the same code number could be listed, being the calls to be made by a particular traveller in the following week. The same plates might then be used for addressing postcards giving customers advance notice of the intended call.

129. Some addressing machines are selective in what they print. Thus they can be arranged to print the whole of a plate or only the top line of type as occasion demands. This greatly increases their versatility as it facilitates listing names, for example, without the addresses.

130. Another use which is becoming quite common as in conjunction with credit transfers. Plates are prepared for regular suppliers showing the name and address of their bankers and details of the account to be credited. Each month, the amount of the remittance is entered in ink. Payment of accounts is simplified and the saving in time can be considerable.

131. It is often an advantage for accountants to remind their more dilatory clients of the end of their financial year so that they may take stock, make notes of their debtors and creditors and so on. For this purpose an addressing machine is a great advantage.

132. In the first place it is possible to use it to prepare a complete list of the clients whose financial year ends on a particular date, in itself a considerable aid to office management and work in progress control. The same address plates are then used to address letters, stock summary forms and envelopes to the clients concerned reminding them of the end of their financial year.

133. The letters and stock summary forms can be prepared on the duplicator and the address plates themselves can incorporate a code so that the operator will know which kind of letter and which kind of stock summary form to send to each client.

134. Inevitably, for some clients, the address plates can then be used for speedy preparation of the reminders which should be sent when the stock summary forms are not returned at the appropriate time.

135. Clearly, from the accountant's point of view, there is an appreciable gain in accuracy if the stock is taken at the year-end and not at some uncertain date in the future when queries are cleared. There is considerable saving in clerical and typing time by doing the work in this way when compared with 'normal' methods.

136. Another instance of its use in an accountant's office is with circulars to creditors in an insolvency. The same plates as are used for addressing circulars can be used for completion of some of the many forms required in a bankruptcy or compulsory liquidation.

Communications

137. A brief review of one facet of this problem may not come amiss, though clearly to deal comprehensively with so large a matter in so short a time is out of the question.

138. Up-to-date telephone installations represent a very real saving in time, and therefore in money too. The familiar automatic branch exchange or house exchange enables any extension to get in touch directly with another extension or an outside number without the intervention of a switchboard operator. In a large office a switchboard operator on a manual exchange would be a full-time occupation whereas the automatic exchanges require her to deal only with incoming calls.

139. One of the difficulties which more rapid communication have made it necessary to solve is the problem of locating staff for whom urgent telephone calls are waiting. No one remains at his telephone all day and the need to be able to trace individuals quickly is vital. To keep telephone callers waiting while a search is being made is discourteous, to say

the least, and 'held' lines cause switchboard congestion. To have to telephone back is a confession of failure as well as a needless expense.

140. The system of lights used in many hospitals is one way of overcoming this problem; a system of buzzers throughout a factory or an office is another way, though it has the disadvantage that when a person is wanted everyone has to stop work to decipher the code and to decide whether or not it is he who is sought.

141. A loudspeaker system overcomes this to some extent, but its interruption effect is high; nevertheless it has its advantages for 'Music while you work', emergency calls or announcements, even if British Railways have proved that the necessary clarity of diction is not possessed by everyone. A system which allows all and sundry to know that a particular person cannot be found is not always an advantage and a repeat call for him almost certainly means that he is out of the immediate vicinity or that he is engaged. Conversely, knowledge that he is urgently required can be just as unfortunate. Both are an invitation to mice to take advantage of the absence of the cat.

142. Pocket paging such as is used in *Emergency Ward 10* has very great advantages; small pocket receivers are kept by members of the staff who are likely to be called; only the instrument carried by the person who is wanted emits a sound; other members of the staff are undisturbed. The control unit is usually at the telephone switchboard or on the receptionist's desk. When the operator pages a selected individual, a radio signal is generated from the loop aerial which surrounds the premises. This is picked up by the particular receiver which is sensitive to the frequency, but all other receivers remain silent. For noisy surroundings, such as in a machine shop, the receiver can incorporate a flashing light in addition. On hearing a buzz the person carrying the called receiver telephones the switchboard to announce his whereabouts.

143. Another device which is becoming widely used is the tape recording of incoming messages. With this, orders can be placed or instructions given by customers even out of normal office hours, thus eliminating the need for overtime staffing of a telephone to receive such messages.

The Post Room

144. Possibly the post room has as much scope for the O. & M. enthusiast as any other room in the office.

145. There is much to be said for following the lead given by the British Standards Institution whereby the size of letters and envelopes are standard. This leads to an appreciable reduction in storage costs as well as reducing time spent looking for envelopes of the right size.

146. It is often possible to dispense with addressing envelopes either by using window envelopes, as has already been stated, or by using letters which incorporate the address.

147. Your income tax return is an excellent example of what can be done with window envelopes. Your name and address appear on your blank income tax return and this is folded in the usual way so that a window envelope can be used and posted unsealed. The income tax return also incorporates the Inspector's address so that by folding your completed return as directed, you can again use the window envelope without the need for further addressing. An extension of this arrangement is for the remittance advice to incorporate a banker's credit transfer.

148. There are many modern or comparatively modern devices for the post room, many of which can be used by accountants. For example, the use of self seal envelopes is undoubtedly more hygienic apart from being more rapid. A letter franking machine such as a Neopost has a great many advantages and is less open to manipulation than the post book. Letter folding machines tend to make a neater job of folding letters than a clerk, a stapler for pinning up letters and enclosures is quicker than a pin and less damaging to the finger nails.

Conclusion

149. The qualified accountant, particularly in country districts, is often heard to complain of unqualified accountants and their fee cutting. These complaints are more than justified but, on the other hand, I sometimes wonder whether we should not do more to help ourselves.

150. A Ford is cheaper than a Rolls-Royce, but the purchaser of the Rolls-Royce knows that he is getting a better product. If we are to charge our clients more than our unqualified competitors then we must first be able to satisfy our clients that we are offering them a better service than they can obtain elsewhere.

151. The small business is under increasing pressure from the large organization. Of all people whom the owner of the small business is likely to meet, his accountant should best be able to help him conduct his affairs more efficiently. The practising accountant who looks upon himself merely as an income tax adjuster is evading the problems of contemporary business life and failing to give his clients the service they are entitled to expect.

152. The principles that I have put forward are merely an outline of what an accountant might have in mind when discussing the affairs of his client; the illustrations I have used are mere instances of many adaptations of these principles. Although many of these suggestions are of widespread application they have all been made with a small business or office in mind and, in some cases, even the 'one man band'.

153. O. & M. may be a technique; it may be an art; primarily it is a state of mind.

(*Concluded.*)

Weekly Notes

INTERNAL AUDITORS' CONFERENCE

THE Fifth West European Regional Conference of The Institute of Internal Auditors opened last Wednesday at the Abbey Hotel, Great Malvern, Worcestershire, and continued until yesterday (Friday). Papers presented at the four business sessions were as follows: 'Management develops new techniques', by Mr C. Loveluck, B.SC.(ECON.), F.S.S.; 'Integrated planning and control', by Mr B. J. M. Edmunds, F.S.A.A., C.A.(S.A.), A.C.W.A.; 'The new frontiers of accountancy', by Mr J. P. Wilson, F.C.W.A., F.C.I.S., and 'On meeting the challenge', by Mr R. Davis, F.I.M.T.A. Each paper was followed by syndicate discussion, reports and questions. A report of the conference will appear in next week's issue.

HIGHER CAPITAL INVESTMENT EXPANSION

CAPITAL expenditure by private industry and commerce, which comprises manufacturing industry along with the distributive and services trades, is expected to be 14 per cent higher in 1964 than in 1963 and to show a further increase in 1965. These estimates have been compiled from forecasts of expected outlay supplied by companies during August and September contributing to the periodic inquiries into investment intentions organized by the Board of Trade. When forecasts were last supplied at the end of 1963 it was estimated that investment would rise by about 10 per cent between last year and this one. The latest forecast is thus 4 per cent higher than the one made ten months ago.

So far as 1965 is concerned, the latest inquiry indicates that the expected rise between this year and next will be substantially increased for manufacturing industry and also for the distributive and services trades. There is a hint, however, that the increase may not be quite as big as the one forecast for 1964. In forecasts of this kind, however, small changes in either direction are not particularly significant. It is the dimension and direction of the change which is important since these indicate the climate of business investment. This is about as much as can be expected from this type of forecasting. The Board of Trade suggests that an increase of about 10 per cent between 1964 and 1965 is possible.

At this time last year the rate of recovery in capital investment, especially in plant and machinery, was of paramount importance. Of immediate concern to the economy is the rate of expansion in exports rather than the level of capital investment. The critical factor is now how fast higher investment can be reflected in lower cost of production and prices for those export goods which can rapidly increase their markets if prices are reduced.

QUALITY AND RELIABILITY

THE third annual report for 1963–64 of the National Council for Quality and Reliability has been issued this week. The Institute of Chartered Accountants in England and Wales are represented on it by Mr J. Clayton, F.C.A., and The Institute of Cost and Works Accountants by Mr L. N. Norton, F.C.W.A. Mr Norton also sits on the technical committee.

According to the annual report, co-operation between national bodies concerned with improving the quality of their goods and services has been a significant feature during the past year. A programme to ensure the best method to organize support for the aims of the Council has been arrived at by which working parties have been established with the various bodies associated with the Council. These working parties are serviced by the various representatives to the Council from the constituent bodies, and three are sitting at present serviced by the Institution of Mechanical Engineers, the British Standards Institution and the Purchasing Officers' Association; other member bodies are co-operating with these committees. It is hoped that these will be the first of a series of such working parties.

THE PROBLEM OF GROWTH

THE complex nature of the problem of economic growth, a subject which was aired in deceptively simple terms in the recent General Election campaign, was dealt with last week by Sir Robert Shone, Director-General of the National Economic Development Council. Speaking at a national conference of the

Mr W. G. Densem, F.C.A., President of The Institute of Chartered Accountants in England and Wales, presenting prizes to Mr J. D. Bee (who took First Place in the May Intermediate examination) at a prize-giving ceremony held in the Oak Hall of the Institute on October 7th. The President's address is reported on page 500 of this issue.

Institute of Personnel Management he emphasized the important part which the efficient use of human resources must play in economic growth over the next period which the N.E.D.C. is likely to deal with. This will be the years up to 1970.

He went on to say that the current growth programme, which was aimed at achieving a 4 per cent expansion in the national income each year over the period 1961 to 1966, was based on average annual increases in output per head of 3·2 per cent, an increase in productivity nearly half as much again as had been achieved in the post-war period. The difference between 3·2 and 4 per cent was accounted for by the expectation that there would be an increase in the labour force following the post-war bulge in the birth-rate and a higher rate of immigration.

Beyond 1966 the increase in the work force is expected to slow down which puts an increased burden on the rate of productivity. This means that in the next growth period there will have to be at least as much emphasis on good management, good human relations and a relaxation in restrictive practices by labour as on a higher rate of capital investment.

This is My Life . . .

by An Industrious Accountant

CHAPTER 246

SYSTEMS are important. Control accounts are vital. Meticulous recording of the physical whereabouts of valuable movable assets of a company, with signed and certified documentation of their movements among executives, ensure the satisfied and benevolent smiles of the auditors on their annual visit. Should these vigilant scrutineers find, in addition, that the properly initialed time-sheets supporting the weekly wages books show the movements of the employees in sufficient detail to enable job-costing to be vouched adequately, then the accountant in industry has won his spurs. Harmony reigns.

Such thoughts were inspired recently by my wife's comment that the fringe of trees at the end of the garden was growing too profusely. Its height must be controlled, she observed; a strong gardener was needed.

I felt that this latter remark constituted an aspersion on my own capacity for manual work. Gardeners in our locality are scarce, expensive and of limited skill; surely a modicum of trimming was child's play to one who had been a first-row forward in his youth; the exercise would be physically beneficial, and the operation short and simple. An hour of the autumn evening would induce an appetite and justify a well-mixed dry Martini on the rocks.

Unfortunately our step-ladder was missing, the next-door neighbour but one having borrowed it; the branches were too thick for shears and my saw turned out to need sharpening. Lease-lend was necessary.

Next morning I approached our company maintenance engineer with an ingenuous expression and sought to borrow the necessary gear. The saw was simple, he acquiesced readily; he'd just had one sharpened as he'd been using it himself for the last month. I had anticipated difficulty with the ladder, but not so; he had a van going out to haul home the personnel director's caravan; they'd drop the ladder off as they passed my gate that evening.

We have a system of blue issue-dockets for property leaving the premises on loan, I recalled, so I said I'd make one out. There was a momentary silence. Then the engineer remarked casually that we didn't usually bother much about making out these messy bits of paper. You see, he explained, they used to get lost; then the company's internal auditor would fuss about trying to match the duplicates with the return book, which was obviously impossible as the book was incomplete anyway, so it was simpler not to issue the dockets in the first place.

I had arranged to take a day off my holidays to tidy up the garden, so next morning I started early on the job. The new saw was marvellous, and the lawn was soon covered with branches and foliage; I mounted higher up the ladder.

It was harder going than I had anticipated in the warm autumn sunshine. Some of these branches were as thick as my arm, the perspiration started to pour down; my muscles were aching vilely. The bole of the tree was hard and knotted; I sawed with a fierce burst of renewed energy; heave, forwards, heave! Then the saw suddenly jammed nearly costing me my fingers; I stepped back into empty air. The ladder came with me, crashing across the boundary railing with a shattering of timbers.

It was just as well that I was only on the seventh rung. One bleeding hand, one torn coat, one swollen ankle, one back feeling as if all its discs were jangling . . . one company engineer staring stupified over the garden gate as I sat up to count my scars.

'Never mind', he said consolingly. 'I've our two carpenters in the lorry outside; we're doing a repair job on the chairman's greenhouse. We'll finish your trees for you . . . it's lucky I've booked their time to "executive offices repairs" for this week.'

Control systems . . . or service to others . . . which takes priority?

The Institute of Chartered Accountants in England and Wales

Statements on Professional Conduct

We reproduce below the statements in the proceedings of the Council of the Institute, reported elsewhere in this issue, which in due course will be included in Section E of the Members' Handbook

CHANGES IN A PROFESSIONAL APPOINTMENT

The Council wishes to draw the attention of members to certain matters relating to changes in a professional appointment and for their guidance has prepared the following statement:

Auditor of a Company

1. The proprietors of a business have an indisputable right to choose their auditors and other professional advisers and to change to others if they so decide. Accordingly, provided that the statutory procedure for such a purpose is followed, a shareholder in a company is entitled to propose to its annual general meeting that the company's auditor shall be changed as from the conclusion of that meeting. The auditor whom it is proposed to replace has a right to make representations to the shareholders on the matter if he so desires.

2. A member of the Institute who is invited to accept nomination in replacement of the auditor of a company should not accept nomination without first communicating, preferably by letter, with the former or existing auditor (hereinafter referred to as 'the other accountant') to inquire whether there is any professional reason why he should not accept the nomination. This applies whether or not the other accountant is a member of the Institute. The member should not accept nomination if he is refused permission to make this communication.

3. Communication with the other accountant is not only a question of professional courtesy. The purpose is to enable the member to ascertain the circumstances in which the change of auditor has been proposed so that he can decide whether he can properly accept the nomination and if so whether he wishes to do so. It is essential that the legitimate interests of the shareholders, including their right to change the company's auditor if they so wish, should be protected and that the independence of the other accountant should be safeguarded. The member who is invited to replace the other accountant should therefore endeavour to ascertain all the reasons for the proposed change. He cannot do so without direct communication with the other accountant. The need to communicate exists whether or not the other accountant intends to make representations to the shareholders, and whether or not the other accountant still holds office as auditor.

4. The member should give due weight to the reply of the other accountant and to any representations which the latter may inform him he intends to make to the shareholders. Resentment on the part of the other accountant at the actions taken by those who propose a change or at the possible loss of an audit is not a valid professional reason against the change unless supported by information as to the professional considerations which arise. This information may indicate, for example, that the ostensible reasons given for the change are not in accordance with the facts. It may disclose that the proposal made to displace the other accountant is put forward because he has stood his ground and carried out his duties as auditor in the teeth of opposition or evasion on an occasion on which important differences of principle or practice have arisen between him and the directors.

5. The member who is invited to replace him may decline the nomination if he considers that the other accountant is being treated unfairly; members differ in their views as to the circumstances in which they are prepared, as a matter of personal choice, to accept nomination in the place of another accountant, but every member who is approached should consider carefully whether as a matter of professional conduct or as one of personal inclination he can properly accept nomination in the circumstances in which the change is proposed. The communication therefore serves to protect the member from accepting nomination in circumstances of which he was not fully aware and also to protect shareholders who are not fully informed of the circumstances in which the change is proposed as well as the interests of the other accountant where the proposed change arises from, or is an attempt to interfere with, the conscientious exercise by the other accountant of his duty as an independent professional man.

6. Where the member decides to accept nomination in place of the other accountant the fact that he has communicated with the latter does not preclude the other accountant from complaining to the Institute that in the particular circumstances the acceptance was improper nor does it prevent the Investigation Committee from considering the matter in order to decide whether, on the information placed before it, there appears to be a conduct matter requiring consideration by the Disciplinary Committee.

7. The foregoing paragraphs indicate the general principles by which a member should be guided when

invited to act as auditor of a company. Additional considerations on matters of detail are indicated below.

Timing

8. When a member is first approached he should make it clear, preferably in writing, that he must not be nominated until he has informed the company in writing that he is prepared to accept nomination.

9. If the other accountant is unaware that a change is proposed, it is desirable that the company should first inform the other accountant of the proposed change before the member himself communicates, making it clear that the member has not at that stage accepted nomination.

Reply from the other accountant

10. Where the other accountant is a member of the Institute he should answer without delay the communication from the proposed new auditor, whether or not the latter is a member of the Institute. If he wishes to put forward any professional reason why the proposed new auditor should not accept, then it is not sufficient for him merely to state that there are professional reasons; he should be prepared to state as soon as possible the nature of those reasons. He may prefer to do this orally, and in that event the member who has been approached should be prepared to confer with the other accountant if the other accountant so desires. In this connection paragraph 53 of section S5 of the *Members' Handbook* may be of assistance to the member.

Failure of the other accountant to reply

11. If the member does not receive within a reasonable time a reply to his communication to the other accountant and he has no reason to believe that there are any unusual circumstances surrounding the proposed change, he should endeavour to get into touch with the other accountant by telephone. If he is unable to do so, or is unable to obtain a satisfactory outcome in this way, he should send a further letter, preferably by recorded delivery service, stating that unless he receives a reply within a specified time he will assume that there is no professional reason why he should not accept and will in fact do so.

Fees – scale of charges

12. It is not necessarily improper for a member to charge a lower fee than has previously been charged by another accountant for similar work. However, evidence that a member has obtained professional work through having quoted with that object a fee lower than that charged or proposed by the accountant previously carrying out that work could be regarded as cause for complaint and could therefore render the member liable to disciplinary action.

Unpaid fees of previous auditor

13. The fact that there may be fees owing to the other accountant is not of itself a professional reason why the member should not accept nomination. If he does accept it may be appropriate for him to assist in any way open to him towards achieving a settlement of the fees outstanding; whether or not he does so is entirely a matter for his own judgement in the light of all the circumstances. He should not seek to interfere with the exercise of any lien which the other accountant may have (see *Members' Handbook*, section P5, paragraphs 10 to 14).

Transfer of books and papers

14. The other accountant (if he is a member) should be prepared to transfer promptly to the new auditor after he has been duly appointed all books and papers of the company which are in his possession, unless he is exercising a lien thereon for unpaid fees.

Casual vacancies

15. When a member is invited by the directors to accept appointment as auditor to fill a casual vacancy, he should be guided by principles similar to those set out above in relation to nomination for appointment by the company in general meeting. Where however the casual vacancy arises through the death or incapacity of the other accountant the member will need to adapt his procedure in the light of the particular circumstances, obtaining such information as he may need from the other accountant's office or partners if any.

Business acquired by a new company

16. When a member is asked to accept appointment as auditor of a new company formed to acquire an existing business and the ownership of the company is substantially the same as it was in the acquired business, the member should communicate with the accountant who acted for that business.

Auditor of a Body other than a Company

1. When a member is invited to accept nomination or appointment as auditor of any body other than a company, he should be guided by the same considerations as those indicated above in relation to a company. This applies whether the appointment is as auditor of an incorporated body or an unincorporated organization or a partnership or an individual.

Appointments other than as Auditor

1. The considerations arising on a change of auditor apply to a large extent also where a member is invited to undertake other recurring professional work in place of another accountant.

2. A member may be invited to undertake special professional work which is additional to that already being carried out by another accountant who will still continue with his existing duties. In that event it is normally desirable, as a matter of professional courtesy, for the member to notify the other accountant that he is undertaking the special work, unless the client gives a valid reason why such notice should not be given.

REMUNERATION

The Council wishes to draw the attention of members for their guidance to the following points:

Remuneration on a Percentage Basis

1. A member in practice should not normally accept or charge for any form of professional work if he is to be remunerated on a percentage basis, exception to this general rule being remuneration as secretary, director or financial adviser of a company or where such a method of payment is sanctioned by statute or custom.

Special Services

1. Where special services are undertaken requiring a high degree of skill and experience fees may be charged commensurate with the nature and quality of the services rendered.

PUBLICITY ASPECTS OF MEMBERS' CONDUCT

The Council wishes to draw the attention of members to certain aspects of professional conduct including publicity, advertising, etc., and for their guidance has prepared the following notes:

General

1. Members of the Institute are aware that it has always been a recognized principle that they should not advertise or circularize, or in any other way solicit or seek to acquire professional business or bring their names to the notice of the public in a manner which would bring discredit to the profession or lower the esteem in which the profession is held in the eyes of the public.

2. A member is expected to carry out this principle in the spirit as well as the letter. He must use his own judgement in determining for himself whether a particular course of action could be held to amount to advertising or solicitation. As, however, circumstances may arise in which guidance in the proper exercise of that judgement would be helpful, the statements in the following parts of this section have been prepared in the hope that they may be of assistance for this purpose. The statements should not be regarded as a comprehensive guide, and any member who remains in doubt as to his proper conduct in a particular situation is advised to seek the advice of the Secretary of the Institute.

3. Except where the context shows them to be applicable exclusively to practising members, the statements apply in principle to non-practising as well as to practising members.

Advertisements by Members Seeking Employment or Professional Work

1. A member should not advertise for work of an accountancy nature unless he is seeking salaried employment, whether full-time or part-time, which is to be the sole occupation from which he derives income.

2. A member should not advertise for sub-contract or agency work or in any other manner which could be interpreted as offering to undertake professional work.

Advertisements for Staff

1. The Council has considered the propriety of the publication by members under their own names (or the names of their firms) of advertisements for staff which are presented in such a manner that in giving particulars of the duties for which applicants are required, the advertisements could be considered to approach closely to advertising the activities of the members.

2. The Council recognizes that the attraction of suitably qualified staff of necessity requires adequate description of the functions to be performed and that, particularly in times of intense competition for accountancy staff by commercial concerns, this description can be effective in advertisements for staff only if made in terms and printed in type which will attract the attention of suitable applicants. Nevertheless the Council emphasizes that an advertisement for staff for the member's own office should conform to a high standard of professional good taste and that the position in which the name and address of the member is printed and the form and content of the advertisement should not be such as to warrant a suggestion that an attempt is being made to bring the activities of the member concerned to the notice of the public. In general the same considerations apply to advertisements on behalf of associated firms or clients and to advertisements where a box number is used.

3. The following points should be noted particularly by a member who advertises for staff for his own office:

(i) The inclusion of an advertisement for staff in display or semi-display form in a page which contains other staff advertisements in similar form should conform to the general principles mentioned above and to the points set out below.

(ii) The size of advertisements should be kept within modest dimensions not exceeding two columns in width. The whole of the body of the advertisement including the name of the member should be in type of modest and uniform boldness. In a display or semi-display advertisement, however, headings indicating the nature of the duties to be performed by staff required may be in capitals or bold type.

(iii) The name and address of the member should not be given undue prominence. It should

appear not more than once in the advertisement and in all display or semi-display advertisements should be within the body of the text (i.e. not separated or inset on a separate line as a heading or otherwise) in a size and boldness of type not greater than those of the body of the advertisement.

(iv) In certain journals (e.g. *Accountancy* and *The Accountant*) it is standard practice to use capital letters or bold type for words in the first line of non-display advertisements. Where this style is used the name of a member or firm may appear in the first line of advertisements of this nature even though this will involve the use of capital letters or bold type.

(v) The use in display or semi-display advertisements of headings which are not so worded as to refer specifically to staff vacancies may be open to misconstruction. Such headings as 'Management Accountancy,' 'Management Consultancy,' 'Taxation' or 'Audits' should be accompanied by the word 'Staff' or a similar word to make it clear that the advertisement is addressed to possible candidates for staff vacancies.

(vi) In his own interest a member proposing to issue an advertisement in display or semi-display form is advised to ask for a proof to be submitted to him before the advertisement is issued so that he may ascertain whether his instructions have been followed.

4. A member who is in any doubt concerning the propriety or form of an advertisement is advised to seek the advice of the Secretary.

Advertisements for the Disposal or Acquisition of a Business or Property

1. The name and address of a member (or firm) with the description to which he is entitled as a member of the Institute may be included in:

(*a*) an advertisement inserted on behalf of a client wishing to acquire or dispose of a business or property;

(*b*) an advertisement for the sale of a business or property where the member is acting in a professional capacity as trustee, liquidator or receiver.

The name, description and address of the member should not, however, be given undue prominence.

2. A member should satisfy himself that any such advertisement does not contravene the provisions of the Prevention of Fraud (Investments) Act 1939 (see section P7 of the *Members' Handbook*).

Directories and Similar Publications

1. The name, description and address of a member (or firm) may appear in any directory or list of members of a particular body in which the names are listed alphabetically.

2. For a specialized directory or a publication such as a *Who's Who* (including those compiled on a purely local basis), a member should use his discretion as to the information which he supplies, bearing in mind the nature and purpose of the publication. In addition to his name, description and address and those of his firm, a member may give, where appropriate, directorships held and reasonable personal details and may state his outside interests. He should not, however, give the names of any of his clients or details of the services offered by his firm.

3. The name, description and address of a member should not appear in a directory in which the names are classified by occupation unless the directory is open to all members of the Institute in the area covered by the directory.

4. A member should not permit his name to appear in any list of members of a particular body which is classified by occupation unless the circulation of such list is normally confined to members of the body concerned and its issue is not intended to encourage members of the body to use the services only of other members thereof.

5. A member should not have an entry in any directory or similar publication in leaded type or in any other form if it is thereby distinguished from other entries in the same directory except that an entry in a telephone directory may if the member so wishes be in small leaded type.

6. The above rules apply whether the entry is paid for or not.

Inclusion of a Member's Name, Description and Address on Envelopes

1. If a member uses envelopes bearing his name, description and address, or that of his firm (whether by printing or by franking machine) he should observe in that printing or franking a standard of taste such that the profession is not lowered thereby in the esteem of the public.

Notices in the Press (Change in Partnership, Address, etc.)

1. Clients will normally be notified by letter of changes such as the admission or retirement of a partner, the amalgamation of two or more firms, or the opening of a new office. Notices of such changes may also be given in the accountancy press but notices in the non-accountancy press should be restricted to announcements of the retirement or death of a partner or the dissolution of a partnership and changes arising therefrom. A notice in the non-accountancy press should be limited to a bare statement of the facts and should be inserted on not more than one occasion in the publication concerned.

2. To avoid misunderstanding, a notices hould be marked 'Not for publication' if it is sent to a client who is a proprietor of, or known to be otherwise associated with, a newspaper, trade journal or other publication (except the accountancy press).

Notices in the Press (Examination Successes)

1. Notices in the Press relating to the examination success of an individual candidate should not contain any element of undesirable publicity, either in relation to the clerk or the member or firm with whom he has served. The following details may be included:

Candidate's name and residential address;
Examination passed with details of any prize or place gained;
Name of principal and/or firm;
Name of town in which principal practises (but not the full address);
Photograph of candidate;
Names of parents;
School and local background.

Notices in the Press (Appointment as Auditor)

1. A member should not sanction the publication in the Press of a notice relating to his (or his firm's) appointment as auditor unless it appears as a part of or comment on the annual report, or a report of the formal proceedings of a company or other body.

Reports in the General Press of Members' Appointments and Other Activities

1. While no member should actively seek publicity for himself, it is nevertheless in the interests of the public and the Institute that any appointment or other activity of a member (or firm) in a matter of national or local importance or the award of any distinction to a member should be suitably reported in the general Press and that the report should mention membership of the Institute. A photograph of the member in connection with any such report may also be published.

2. The announcemen tin the Press of the appointment of a member of the Institute to the board of a company, with a mention of his professional designation, is to be encouraged. In such an announcement the name of a member's firm or references to other directorships or public appointments previously or currently held may also be included.

Articles and Letters in the Press

1. In any article or letter or other contribution prepared for publication in the Press a member may either use his own name without disclosing the fact that he is a member of the Institute or, alternatively, he may write anonymously or use a *nom de plume* such as 'chartered accountant'.

2. Where a member writes anonymously or uses a *nom de plume* such as 'chartered accountant' he may give reasonable further information about himself to show his qualifications to write on that particular subject, but if he is a member in practice he should not do so to an extent or in a manner which would identify him as the writer.

3. A member:
(*a*) who is in practice, or
(*b*) who, though not in practice, is associated with a firm or business which offers accountancy services

should not (other than in the accountancy journals) disclose the name of his firm or business.

4. A member who is not in practice and who is not associated with a firm or business which offers accountancy services may allow his own name to be mentioned with or without the addition of the description or designatory letters to which he is entitled as a member of the Institute and with or without the addition of the name of any organization with which he may be associated.

Appearances on Radio and Television

1. Where a member is invited to take part in a radio or television programme, he should be referred to by name only, without the fact that he is a member of the Institute being disclosed, or alternatively he should appear under an anonymous description such as 'chartered accountant'.

2. Where a member appears anonymously he may give reasonable further information about himself to show that he is specially qualified to take part in the particular programme.

3. The Council may on application permit both the name and description of a member appearing on radio or television to be given, if it considers that this is in the interests of the general public and of the profession as a whole.

Authorship of Books and Pamphlets

1. A member who is the author of a book or pamphlet for general publication may state therein his name with the description or designatory letters to which he is entitled as a member of the Institute and may, if asked by the publisher, give the following further particulars:
(*a*) reasonable personal details (including details of education and military service);
(*b*) other qualifications and bodies of which he is a member;
(*c*) other publications;
(*d*) hobbies;
(*e*) photograph;
(*f*) a general reference to his professional career.

2. There should be no mention, however, in the book or pamphlet or in publicity relating to it of the name and address of the member's firm.

Talks and Lectures, Attendance at a Conference[1]

1. A member who is invited to give a talk, or to b· member of a panel or brains trust, or to atte conference is expected to take reasonable s ensure, as far as practicable, that there will the practice or professional business in engaged any undue publicity in any li for the information of the audien

[1] See also 'Appearances on Radio a

report of the proceedings and in any literature issued as a result of the proceedings.

2. In relation to (1) above, the member's name and his description and/or designatory letters as a member of the Institute may be mentioned; but so far as the matter is reasonably within his control the member should not permit any reference in the literature or Press report to the name of his professional firm or to its address.

3. Where the audience is composed entirely of members of the accountancy profession, the above considerations do not in all respects apply and in addition to his name, description and designatory letters a member may, if asked, give the following further particulars;

Name and address of his firm or employment.
Date and place of birth.
Educational details.
Other qualifications and bodies of which he is a member.
Publications.
Reasonable details of professional career.
Outside interests.
Photograph.

This further information may appropriately be conveyed to those attending the conference but should not be given to the non-professional Press.

Member Standing as an Election Candidate

1. A member who is standing as a candidate in a national or local election may state his description and designatory letters in the election address which he issues or in other election literature.

2. A member in practice may state the name of the town in which he practises but must not give his firm's name. A member employed in an accountancy practice may state that he is employed by a member of the Institute if this is the case, but he should not give the name and address of his employer. Any other member may give any details relating to his employment.

3. If the election address includes a short personal history, there should be no reference to the name of any existing professional firm.

4. Any Press publicity should not, so far as professional details are concerned, go beyond what is permitted in election literature.

Building Societies

1. A member in practice, appointed as agent of a building society, may permit his name, description and address to appear in any literature issued by the society or in any advertisements in the Press or elsewhere, provided that the appointment is not referred to or used in such a way as might be considered to be advertising the qualification of the member for accountancy work.

Trade Associations and Similar Bodies

1. Where a member holds the secretaryship or other office of a trade association or similar body, he should be careful not to misuse or appear to misuse his position for the purpose of seeking other professional work.

2. Similar considerations also apply in the following circumstances:

(a) where a member (or his firm) is instructed by a trade association or similar body to make a report on a matter of concern to the members of that body with the intention or possibility that copies of the report will be circulated to those members; or

(b) where a trade association operates through its trade journal or otherwise an advisory service inviting its members to send inquiries to the association if they have any particular accountancy problems on which they require advice and where a member of the Institute (or his firm) has an arrangement with the association under which he agrees to supply the accountancy advice required. In the circumstances outlined in this subparagraph the member should have regard to the following points in particular:

(i) There should be no direct contact between the member and the individual members of the association. The advice given by the member should be sent to the association so that the association may pass it to the inquirer without disclosing the name of the member who gave the advice.

(ii) In exceptional circumstances the nature of the advice given may necessitate some contact between the member and an individual member of the association. In such case the member should, before giving advice, notify the existing professional advisers retained by that member of the association.

(iii) There should be no reference in this connection to the member by name in any literature issued by the association or in any journal published by the association.

Audit Reports

1. Audit reports on headed notepaper in facsimile form should not be included in the published accounts of public companies in the United Kingdom.

Reports on Net Sales and Other Facts

1. When a member (or firm) makes, for publication, a report on net sales (or other facts such as the results of a football or similar pool) he should:

(a) ascertain in advance and be satisfied with the form and context of intended publication;

(b) satisfy himself that the organization is properly conducted;

(c) ensure that his report deals only with ascertained facts.

2. In any Press announcement or any document distributed by the organization, the report should be printed in type of a reasonable size in relation to the rest of the announcement or document and should not be in facsimile form on headed notepaper.

The Inclusion of a Member's Name on a Document Issued by a Client

1. Some concerns adopt the practice of including the name and description of their auditors not only on documents which include accounts on which the auditors have reported or documents where the name of the auditors appears pursuant to a statutory requirement, but also on brochures and other literature.

2. The use of a member's name in this way is capable of being interpreted (and may be intended to be so interpreted) as an indication that the concern is financially sound and well conducted. The public does not always appreciate that judgement on such matters requires study of the concern's accounts and the terms of the auditor's report thereon.

3. Accordingly any member who learns that a client wishes to use his name as auditor in this manner should inform the client that his permission must first be obtained. The use of a member's name can be justified only in restricted circumstances, for example where the client is a concern which invites the public to place funds in its hands by way of deposit, investment, charitable contribution or otherwise. In every such special case the member should satisfy himself as far as practicable:

(*a*) that the concern is properly conducted; and
(*b*) that a concern which invites investment or deposit is in a sound financial position; and
(*c*) that the auditor's name will not be given undue prominence.

4. The considerations in paragraph 3 above apply also where a member is not the auditor but acts in some other independent professional capacity, and the client wishes to use the member's name and describe his capacity, for example 'accountant' or 'consulting accountant'. A description which implies special ability or experience should not be permitted.

5. Paragraphs 3 and 4 above should be considered in conjunction with the Council statement (section P7) on the acceptance of agencies for financial organizations and the Council statements (see above) on members' reports.

6. In no circumstances should a member acting in an independent professional capacity permit a client to show the member's name on the client's notepaper, whether as auditor or otherwise. Subject to the considerations stated in paragraphs 3 and 4, however, a member may if he thinks fit allow his name to appear on notepaper *specially* printed for the purpose of a charitable appeal.

7. This statement is concerned only with the position of members who act in an independent professional capacity for a concern. It does not apply to an appointment as chairman, director, member of committee, treasurer or secretary or in some other capacity in which the member is acting as a member or officer or employee of the committee or organization, nor does it apply to an appointment such as chairman of a committee of inquiry or similar body. In such case a member's designatory letters may appear on the concern's notepaper or on any document issued by the concern.

List of Names and Addresses

1. Some firms find it convenient to prepare for their own use and the use of their associated firms or correspondents a list of their various offices and the offices of associated firms and correspondents.

2. A list of this nature may be issued to a client or on a specific request to a non-client for his own use but it should never be so issued if it contains details beyond the names, addresses and telephone numbers of firms, branches, associated firms or correspondents, and of the partners and/or staff therein, or if, in giving this information, it includes descriptions which indicate the nature of the services provided.

THE USE OF THE WORD 'CONSULTANT' ON LETTERHEADING

The Council wishes to draw the attention of members for their guidance to the following note on the use of the word 'consultant' on letterheadings.

1. On the letterheading used by a sole practitioner or by a partnership, the word 'consultant' should not be used to describe the sole practitioner or, as the case may be, any partner nor to describe any member of the staff.

2. The word 'consultant' may, however, be shown against the name of a person on the letterheading of a member or firm if that person is retained as a consultant to the member or firm *and* was previously either:

(i) a partner or member of the staff of the member or firm; or
(ii) a person who carried on as a public accountant the practice or part of the practice carried on by the member or firm or was a member of the staff of, or retained as a consultant by, such a person.

3. The name of any other person similarly retained may be shown provided that it must not be accompanied by designatory letters which refer to a qualification or professional description other than an accountancy qualification.

4. Where a member acquires the practice of a person who is not a chartered accountant (or where such a person retires from a partnership which thereafter describes itself on its letterheading as 'chartered accountants') and that person is retained as a consultant or as an employee care must be taken to ensure that the letterheading is not likely to lead anyone to assume that the person is a chartered accountant.

Reviews

Accounting: A Management Approach

Third edition. By MYRON J. GORDON and GORDON SHILLINGLAW. (Richard D. Irwin, Inc. Illinois. $8.95.)

Management Accounting – A Practical Approach

by R. E. V. DUCK and F. R. J. JERVIS. (George G. Harrap & Co Ltd, London. 18*s* 6*d* net.)

Both these books set out to teach trainee managers enough about accounting to enable them to require a good accounting service and to make use of the information it throws up. All the four authors are professional teachers, the Americans being professors at the University of Rochester and Columbia University, respectively, while the Englishmen are lecturers at the Derby and District College of of Technology. Both books provide useful exercises for students at the end of each chapter. But there the similarities end.

The English book looks attractive, brief and well-produced; the American one is a massive and glossy affair, formidable in appearance. But then it is designed as a standard work to cover a full university course.

The same ground is covered in both books, starting with basic accounting principles and leading on to costing and management accounting of some refinement. But the treatment is different and to the disadvantage of the English publication; for from the American professors, scholarship shines forth on a subject which is still viewed non-academically in Britain, and since the books are both aimed at future managing directors – presumably, if the country is to prosper, drawn from the intellectual top 10 per cent – a scholarly approach is desirable. To take one example, the Americans start with a lucid exposition of accounting theory and demonstrate how it is that double entry perfectly comprehends and records the movements within a dynamic entity; the Englishmen, on the other hand, plunge the future manager into a dry discussion of debit and credit, which does indeed explain the mechanics of Pacioli's theory, but entirely fails to convince that it is still relevant.

The American professors have also been most successful in weaving into the text the history of a few hypothetical businesses, which grow and develop and have difficulties and expand, chapter by chapter. The reader feels that this is real life accounting, and he can imagine these things happening to his own business. The examples in the English book are fleshless skeletons from a school textbook.

When the preliminaries are over the books level off a little and, in particular, Messrs Duck and Jervis show their skill when discussing overheads and costing methods; but they still leave the impression that they have either tried to cover too wide a field in too short a space or have assumed that their students, who apparently are completely raw to accounting when the book opens, are so fired by the subject as to read widely upon it during the course of reading *Management Accounting – A Practical Approach.* But for this, surely, a first reference on page 147 to an accounts code – 'all documents . . . should be marked with an accounts code number' – will be meaningless. If this comment were to prove inaccurate it might perhaps be excused by the fact that the inadequate index does not mention 'accounts code' at all.

The American book is difficult to fault except for size and, so far as the 'too English' reader is concerned, on terminology and the relevance of some legal and taxation considerations; otherwise it is consistently comprehensive and clear. A lot of the bulk is taken up by exercises which the ordinary reader may ignore. But it remains big and, indeed, may be too big for the management trainee (of whatever age or experience) unless he has already pepped up his reading speed as a first step on the ladder of promotion. Where bulk is not a problem this is a book to read, enjoy and keep for reference. It is a pity that Messrs Duck and Jervis did not follow more closely the pattern set by the earlier editions from Professors Gordon and Shillinglaw.

The Financing of Small Business

by J. BATES (Sweet & Maxwell Ltd, London. 37*s* 6*d* net.)

This detailed study of the problems of small businesses in raising capital for their operations is based primarily upon a survey carried out by the Oxford Institute of Statistics during 1956 and details of the survey are given in an appendix. The book discusses the various problems which the survey brought to light and considers the various facilities and means open to firms to meet these problems.

The book is well documented with statistics and the average accountant will find the economists' approach a change from the more conventional treatment of this subject. There is a good deal of practical information and common sense in this small book.

Public Expenditure: Appraisal and Control

Edited by A. T. PEACOCK and D. J. ROBERTSON (Oliver & Boyd, Edinburgh. 21*s* net.)

This collection of essays was originally contributed to the *Scottish Journal of Political Economy.* Their common theme is the application of economic analysis to the control of Government expenditure, and according to one's point of view the essays either demonstrate the relevance of the two topics or the futility of the exercise. Nevertheless, for anyone who

takes an active interest in the problem of rising public expenditure and who believes that it should be restrained, this collection of essays by academic economists will almost certainly force him to reconsider the practicability of the more facile proposals that have been put forward.

The Taxation of Patent Royalties, Dividends, Interest, in Europe

(International Bureau of Fiscal Documentation, Amsterdam. Loose leaf (including binder) $30; monthly supplement service by airmail $10 per annum.)

This work is the first volume in a new series of *Guides to European Taxation* devised on a completely multilateral basis, and covering the eighteen countries of Western Europe, with supplementary information about Canada and the United States. It is, of course, a staggering task and the International Bureau of Fiscal Documentation has done well to begin with patent royalties, dividends and interest, for it is in this field that there is probably the greatest international mobility of income. In doing so, the Bureau has catered for a very strong, if inarticulate, demand. How that demand materialized is best illustrated by the following paragraph in the book's preface:

> 'The international tax planner is responsible for quickly analysing a proposed commercial or industrial venture for its tax impact. This calls for more than mere consideration of disparate national tax structures. He must evaluate the overall tax consequences of various types of income as they flow from different sources to the ultimate corporate destination. Given the choice, for instance, he must decide which of patent royalties, dividends, or interest will attract the minimum tax. While formulating recommendations, he must bear in mind that no business structure would be sound if based upon tax considerations only.'

How can the tax adviser do this quickly without the services of this kind of textbook? Of course, it would be imprudent, to say the least, for an adviser in one country to give advice about the tax structure of another country, without ensuring that a local practitioner will check the advice given. But every scheme must have a beginning and the initiator of it must have quick access at any rate to the fundamentals of taxation in other territories.

Even in the limited field of income, the task is enormous, and the work under review cannot hope to be exhaustive. But it does give very useful guidance, in a quickly and easily digestible form. No single reviewer of such a work can pronounce on the accuracy of its contents in all its aspects, but the section on the United Kingdom is clearly competently done. It was compiled by Mr B. P. Dik, a staff member of the Bureau, and checked by Mr Alun G. Davies, barrister-at-law, a former member of H.M. Tax Inspectorate. All the eighteen sections are compiled on similar lines and one soon becomes accustomed to the method of approach.

In loose-leaf form, the volume is to be kept up to date by periodical supplements.

The Treasury

by the Rt Hon. Lord BRIDGES, G.C.B., G.C.V.O., M.C., F.R.S. (George Allen & Unwin Ltd, London: 30s net.)

This is the twelfth in the new 'Whitehall' series which seeks to explain the workings of the main ministries. Lord Bridges follows the basic plan of all the works in this series, i.e. history, an examination of the structure of the department, and its functions. The Treasury is certainly the most interesting and, without question, even today the most important of Government departments. This particular work conveys in great detail the extent of the Treasury's departmental interests and their approach to various topics, e.g. Civil Service pay, overseas finance and co-ordination of economic policy.

In some ways, although it conforms to the pattern

RECENT PUBLICATIONS

AN INTRODUCTION TO CRITICAL PATH ANALYSIS, by K. G. Lockyer, B.SC., A.M.I.E.E., A. M. Brit, I.R.E. viii+111 pp. 9×6. 18s net. Sir Isaac Pitman & Sons Ltd, London.

CAPITAL SOURCES AND MAJOR INVESTING INSTITUTIONS, by William C. Hanson. xi+283 pp. 9½×6½. 120s net. Simmons-Boardman Publishing Corporation, New York. London: The Technical Press Ltd, 112 Westbourne Grove, W2.

THE STRATEGIC INVESTOR, by Douglas H. Bellemore. xiii+394 pp. 9½×6½. 60s net. Simmons-Boardman Publishing Corporation, New York. London: The Technical Press Ltd, 112 Westbourne Grove, W2.

THE FAWLEY PRODUCTIVITY AGREEMENTS: A Case Study of Management and Collective Bargaining, by Allan Flanders, M.A. 360 pp. 9×6. 50s net. Faber & Faber Ltd, 24 Russell Square, London WC1.

TAXATION OF CO-OPERATIVE SOCIETIES. Compiled by H. Hargreaves. 58 pp. 8½×6. 10s 6d Co-operative Union Ltd, Holyoake House, Hanover Street, Manchester 4.

ACCOUNTANCY QUESTIONS AND KEY, third edition, by William Pickles, B.COM.(VICT.), F.C.A., F.R.S.A. viii+711 pp. 9×6. 37s 6d net. Sir Isaac Pitman & Sons Ltd, London.

KNOW YOUR ACCOUNTS, Part 2, by Marie Mellor, F.A.C.C.A. vii+159 pp. 8×5½. 12s 6d net. Macdonald & Co (Publishers) Ltd, London.

THE LAW OF INCOME TAX, SURTAX AND PROFITS TAX, First Supplement (to January 1st, 1964), by G. S. A. Wheatcroft, M.A., J.P., F.T.I.I., F.B.I.M. and Leonard Lazar, B.A., LL.B.(RAND.). xxv+198 pp. 9½×7. Card covers. 12s 6d post free. Sweet & Maxwell Ltd, London.

SERVICE AGREEMENTS, by Trevor M. Aldridge, M.A. (CANTAB.). Oyez Practice Notes No. 52. 88 pp. 8½×5½. Card covers. 12s 6d post free. The Solicitors' Law Stationery Society Ltd, London.

MODERN BANKING, sixth edition, by Professor R. S. Sayers. xi+330 pp. 9×6. 30s net (U.K. only). Clarendon Press: Oxford University Press, London.

MACHINE TOOL DIRECTORY 1964. 236 pp. 9×6½. For Private circulation only. Messrs Milln & Robinson, Austin Friars House, 2 Austin Friars, London EC2.

These books may be obtained from, or through, Gee & Co (Publishers) Limited, The City Library, 151 Strand, London WC2.

of the series of which it is part, this is a slightly disappointing book for the general reader since it is heavily burdened with facts and details, not all of which are of equal interest; at the same time the author is too experienced a senior Civil Servant to allow anything that is new to escape reference for the benefit of the reader's curiosity.

There is no doubt that this, like other works in this series, will remain a standard text for some years to come.

SHORTER NOTICE

THE STRATEGY OF ECONOMIC PLANNING, by Mahbub ul Haq (Oxford University Press, London. 44s net). This is an excellent study of the problems and techniques of economic planning, based upon a case study of Pakistan, where the author is a senior Civil Servant in the planning department. For anyone who wishes to learn something about the type of statistical and economic problems posed by such planning as is the task of the National Economic Development Council, this book should prove informative and interesting.

Finance and Commerce

Union Steel

THE reprint this week is from the accounts of The Union Steel and Manufacturing Co Ltd, of 'Usam' Works, Wolverhampton. It has been a decidedly better year for the business with pre-tax profit up from £55,504 to £67,202 and the net figure after tax provision from £28,462 to £30,614.

In terms of rate per cent, the dividend is reduced from 12 to 8 per cent, but this is merely a nominal adjustment to accord with a 50 per cent increase in nominal capital arising mainly from a surplus on property revaluation but partly also from revenue surplus. The revaluation produced a surplus of £108,292 at February 28th, a month before the end of the accounting year and, with additions since then, at cost, freehold land and buildings now stand at £143,608 against the previous written down value of £33,906.

A rather unusual aspect of this adjustment is the way in which the capitalization is shown in the published accounts. The £120,000 capitalized plus the cost of the issue (£1,081) and the cost of revaluation (£775) have been brought into profit and loss account as a deduction from the balance brought in, and reduced by the revaluation surplus (£108,292) to make a net deduction of £13,564. The facts set out are plain enough but they look a little strange at this point in the accounts.

Out of the Ordinary

There is, indeed, something out of the ordinary in the way Mr Ronald Hampton, the chairman, deals with the capitalization in his annual statement. He says: 'We trust the issue of shares recently concluded meets with your approbation. As circularized, this was based upon revaluation which was considered necessary in parallel with current appreciations, and it naturally followed that all should be appraised of this in their ownership, and balance effected. The policy of the board of directors was given at the same time, that we did not consider it propitious to interfere with the dividends, except these would be adjusted proportionately to the free issue and level maintained. We would confirm that even with consideration of our currently higher profit in mind, it would not be expedient to advance the yield on owned capital, and consequently for this year we advise the continuity of our adequate distribution as hitherto.'

'I would make reference to our balance sheet', Mr Hampton continues, 'which should always have its part in the perusal of our accounts. Here there is nothing additional but consolidarity, and which should be placed as a framework to dividend. Here an illation may be accepted, and in the presentation of all things, should not shares have parity with gilt edged. In the annual accounts it should not be overlooked that an amount of money has been appropriated to effect the bonus issue, our carry forward would have been far higher but for this readjustment. We trust that we have directed all things suitably, and that they are executed to your satisfaction.'

Replacement Reserve

A FIXED assets replacement reserve (of £3,569) appears for the first time in the accounts of Standeven & Co Ltd, a Halifax company making fancy worsteds. Drawing attention to the item, Mr Denis Standeven, the chairman and managing director, says that the company 'has always made ample provision for depreciation of its fixed assets, but it has become clear that merely to write off the historic cost of a machine will not, in these days of inflation and rising prices, be sufficient to provide for its replacement in a dozen or so years.'

For this reason 'an additional charge is made in the profit and loss account which is not written off the book value of the asset but which is placed to this new reserve in order to provide for eventual plant replacement'. Unwittingly, one assumes, Mr Standeven gives the impression that it has taken an inordinately long time for the rising replacement costs penny to drop.

What the fixed assets replacement reserve can be taken to reflect is a quicker rate of machinery replacement and modernization than in the past. The company's mills are currently fully occupied but Mr Standeven comments that 'the present level of activity in the trade has not lessened the keen competition we face'.

THE UNION STEEL AND MANUFACTURING COMPANY LIMITED

PROFIT AND LOSS ACCOUNT for the Year ended 31st March, 1964

31st March, 1963 £	31st March, 1963 £		£	£
		Directors' Emoluments:		
850		Fees	833	
13,565		Executive Salaries and Commission	15,322	
1,948		Contributions to Pension Schemes	2,036	
	16,363	[Total Emoluments, including taxed benefits, £18,684. (1963—£16,853)]		18,191
	473	Auditors' Remuneration		473
	9,179	Depreciation of Fixed Assets		9,432
		Provisions for Taxation:		
20,648		Income Tax	25,692	
8,500		Profits Tax	10,550	
29,148			36,242	
2,106		*Add* Net under-provision in previous year	346	
	27,042			36,588
	28,462	**Net Profit after Taxation**		30,614
	£81,519			£95,298

31st March, 1963 £		£
74,167	**Trading Profit**	89,821
5,624	Interest on Investments and Tax Reserve Certificates	4,079
22	Transfer Fees	23
106	Profit on Sales of Fixed Assets	375
	Taxation Equalisation Account—	
1,600	Provision no longer required	1,000
£81,519		£95,298

£	£		£	£
		Dividends:		
2,695		5½% Cumulative Preference Shares *less* tax	2,695	
17,640		Ordinary Stock at 8% *less* tax (proposed) (*1963—12%*)	17,640	
	20,335			20,335
	5,000	Transfer to Extension and Development Account		—
	1,000	Goodwill written off		1,000
	39,117	**Balance proposed to be carried forward to next account**		34,832
	£65,452			£56,167

£		£	£	£
28,462	**Net Profit brought down**			30,614
36,990	**Balance brought forward from previous account**		39,117	
	Less Free Issue of 960,000 Ordinary Stock units of 2/6 each	120,000		
	Costs thereof	1,081		
	Costs of Revaluation	775		
		121,856		
	Less Surplus arising on Land and Buildings Revaluation	108,292		
			13,564	
				25,553
£65,452				£56,167

THE UNION STEEL AND MANUFACTURING COMPANY LIMITED

BALANCE SHEET as at 31st March, 1964

31st March, 1963 £	31st March, 1963 £		Authorised, Issued and Fully Paid £	£
		Share Capital:		
80,000		5½% Cumulative Preference Shares of £1 each	80,000	
240,000		Ordinary Stock (in Units of 2/6 each)	360,000	
	£320,000			440,000
		Revenue Reserves and Surplus:		
75,000		General Reserve Account	75,000	
30,000		Extension and Development Account (See *note* 3)	21,801	
30,000		Stock Reserve Account	30,000	
39,117		Profit and Loss Appropriation Account	34,832	
	174,117			161,633
	494,117	**Total Capital and Reserves**		601,633
		Future Taxation:		
20,000		Income Tax	25,500	
10,000		Taxation Equalisation Account	9,000	
	30,000			34,500
		Current Liabilities and Provisions:		
91,343		Sundry Creditors and Accrued Charges	242,250	
8,500		Current Taxation	10,550	
17,640		Proposed Dividend on Ordinary Stock	17,640	
	117,483			270,440
	£641,600			£906,573

Notes: (1) Contracts for Capital Expenditure not provided for in these Accounts amount to £37,500. (*1963—nil*)

(2) The Net Book Value of Freehold Land and Buildings is in accordance with a Valuation dated 28th February, 1964 (made by Grimley & Son, Birmingham) plus additions since at Cost.

(3) Extension and Development

	£	£
Account Balance 1st April, 1963		30,000
Payable to Patents and Investments Ltd for use of Patents	8,000	
Charges involved therein	199	8,199
Balance 31st March, 1964		£21,801

31st March, 1963 £	31st March, 1963 £		Cost or Valuation £	Aggregate Depreciation to date £	Net £
		Fixed Assets:			
33,906		Freehold Land and Buildings (See *note* 2)	143,608		143,608
59,099		Plant, Machinery, Furniture, Equipment, Fixtures and Fittings	140,544	88,070	52,474
2,823		Motor Vehicles	8,582	4,320	4,262
	95,828		£292,734	£92,390	200,344
	2,000	**Goodwill**	£10,988	£9,988	1,000
		Guarantee Fund:			
	1,111	Bright Bolt and Nut Manufacturers' Association			1,111
		Investments:			
76,092		Building Society Deposits		77,643	
23,021		Government Securities, at cost [Market Value, £23,287. (*1963—£22,960*)]		23,021	
	99,113				100,664
		Current Assets:			
192,837		Trading Stocks, Work-in-Progress, Stores		192,835	
198,989		Sundry Debtors and Prepayments, *less* provision for Doubtful Debts		280,241	
15,000		Tax Reserve Certificates		25,000	
36,722		Cash at Bank and in hand		105,378	
	443,548				603,454
	£641,600				£906,573

R. HAMPTON
C. J. W. HAMPTON } *Directors.*

CITY NOTES

THE City has changed one doubt for another: with the election over, economic doubt arises. Few can argue that there is not a need for a degree of retrenchment in the economy which has obviously been given its head for too long.

The doubt is in the extent to which retrenchment will be taken. But for the equity share-market, the past days of falling prices have discounted doubt to a fair degree. In the full week before the General Election, *The Financial Times* share index dropped close on twenty-one points and the fall took prices, in index terms, back to levels ruling last January.

To that extent the market is immunized to a degree against the effect of adverse economic and industrial facts – quite apart from the doubt about action in terms of those facts. There must now be a period of reappraisal and although the British investor is noted for masterful inaction in times of stress, inaction on the part of private investors is unlikely to mean inaction in the stock-market as a whole.

Faith in equity shares as a harbour for anti-inflationary savings dies hard, however, and a lower level of prices will attract funds even if only on the basis of comparison of current prices with those ruling less than a month ago, when election hopes pushed values to a record high level.

* * * *

THE decision of the British Motor Corporation to employ hydrolastic suspension units in the new Austin 1800, as well as in the entire range of B.M.C. Mini saloons, means a major shot in the arm for an already thriving new industry inside the Dunlop group. The company's suspension division at Coventry has produced more than one and a half million of the new units. Capital spending on the project already totals more than £3 million and another £750,000 is being spent. Since the opening of its suspensions division, Dunlop has created 1,500 new jobs in Coventry.

* * * *

THE Gestetner company, noted for the speed with which it produces its annual figures, has put up a new English 'native record' in issuing its half-year figures nine days after the end of the six months accounting period. The Gestetner company, as it did at the Winter Olympics, is doing all the administrative duplicating for the Tokyo Olympics. Working round the clock, 192 machines are producing millions of copies of everything from bulletins to breakfast menus at the rate of two copies a second.

* * * *

ONE of the results of election uncertainty is the virtual drying up of the new issue market. It is known that a number of new issues are 'on the stocks' and ready for launching, but it does not follow that the launching will take place immediately following the election.

Stock-market conditions will dictate timing and terms. New issues do not essentially need firm markets for success, but they do need markets in which investors can see their way. It could follow, however, that companies may wish to get to the market reasonably quickly before current economic doubts materialize into facts. Underwriting arrangements under such conditions may not prove a particularly easy operation.

RATES AND PRICES

Closing prices, Wednesday, October 14th, 1964

Tax Reserve Certificates: interest rate 19.3.64 2¾%

Bank Rate

July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%

Treasury Bills

Aug. 7	£4 13*s*	0·79*d*%	Sept. 11	£4 13*s*	0·57*d*%
Aug. 14	£4 13*s*	0·21*d*%	Sept. 18	£4 13*s*	0·70*d*%
Aug. 21	£4 13*s*	0·98*d*%	Sept. 25	£4 13*s*	0·80*d*%
Aug. 28	£4 13*s*	1·47*d*%	Oct. 2	£4 13*s*	0·44*d*%
Sept. 4	£4 13*s*	1·26*d*%	Oct. 9	£4 13*s*	0·96*d*%

Money Rates

Day to day	3¾–4½%	*Bank Bills*	
7 days	3¼–4⅜%	2 months	4 13/16–4⅞%
Fine Trade Bills		3 months	4 13/16–4⅞%
3 months	5¾–6¼%	4 months	4 13/16–4⅞%
4 months	5¾–6¼%	6 months	4⅞–4 15/16%
6 months	6–7%		

Foreign Exchanges

New York	2·78⅜	Frankfurt	11·06⅜
Montreal	2·99⅜	Milan	1739⅜
Amsterdam	10·01¾	Oslo	19·94
Brussels	139·19	Paris	13·64
Copenhagen	19·28¼	Zürich	12·01½

Gilt edged

Consols 4%	64 15/16	Funding 3% 59–69	90 1/16
Consols 2½%	41⅜	Savings 3% 60–70	86 13/16
Conversion 6% 1972	102 15/16	Savings 3% 65–75	77 15/16
Conversion 5¼% 1974	98	Savings 2½% 64–67	92 25/32
Conversion 5% 1971	97 11/16	Treas'ry 5½% 2008–12	90¼
Conversion 3½% 1969	91⅝	Treasury 5% 86–89	86¼
Conversion 3½%	56 7/8	Treasury 3½% 77–80	76⅞
Funding 5½% 82–84	95¾	Treasury 3½% 79–81	75⅝
Funding 4% 60–90	92 5/8	Treasury 2½%	40⅞
Funding 3½% 99–04	64½	Victory 4%	98 1/16
Funding 3% 66–68	90 25/32	War Loan 3½%	57 7/16

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, October 7th, and Thursday, October 8th, 1964, at the Institute's temporary offices at City House, 56/66 Goswell Road, London EC1, there were present:

Mr W. Guy Densem, President, in the Chair; Mr Robert McNeil, Vice-President; Messrs J. Ainsworth, C.B.E., J. F. Allan, G. R. Appleyard, W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, C. J. M. Bennett, Sir Henry Benson, C.B.E., Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, C. Croxton-Smith, E. Hay Davison, S. Dixon, W. W. Fea, Sir Harold Gillett, Bt, M.C., Messrs J. Godfrey, P. F. Granger, J. S. Heaton, J. A. Jackson, H. O. Johnson, R. O. A. Keel, Sir William Lawson, C.B.E., Messrs R. G. Leach, C.B.E., R. B. Leech, M.B.E., T.D., J. H. Mann, M.B.E., W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., S. J. Pears, F. E. Price, L. W. Robson, J. D. Russell, R. G. Slack, D. Steele, A. G. Thomas, A. H. Walton, R. Walton, F. J. Weeks, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., T.D., E. K. Wright, Sir Richard Yeabsley, C.B.E.

The late Percy Frederick Carpenter, F.C.A.

The Council received with much regret notice of the death of Mr Percy Frederick Carpenter, F.C.A., London. Mr Carpenter was elected to the Council in 1947 and was President for the year 1962–63.

Conduct Section of the Members' Handbook

The Council approved for publication and inclusion in the next supplement to the *Members' Handbook* the following statements on matters relating to conduct:

'Publicity aspects of members' conduct'

'Changes in a professional appointment'

'Remuneration'

'The use of the word "consultant" on letter heading'.

These statements are reproduced on pages 474–479 of this issue.

Hire-purchase Transactions and Finance

The Council approved a recommendation on accounting principles, *Hire-purchase, Credit Sale and Rental Transactions*, for publication and circulation to members. The document will be circulated to members with the next supplement to the *Members' Handbook* as section N23. The date and price of publication for sale will be announced in due course.

Statements on Auditing: Internal Control

The Council approved a statement on auditing, *Internal Control*, for publication and circulation to members. The document will be circulated to members with the next supplement to the *Members' Handbook* as section U4. The date and price of publication for sale will be announced in due course.

Union Européenne des Experts Comptables

The chairman of the Overseas Relations Committee reported on the fifth U.E.C. Congress held in Vienna from August 31st to September 3rd, 1964, which was attended by about two hundred members of the Institute.

The Council decided that the following resolution be conveyed to the President of the Congress:

'The Council of The Institute of Chartered Accountants in England and Wales congratulates the organizers on the success of the Fifth U.E.C. Congress and wishes to express its warm appreciation of the hospitality shown to those who attended from the Institute. In particular the Council wishes to thank the President of the Congress, Mr Karl Ziegler, and Dr K. Schmidt and their colleagues on the Organizing Committees.'

Sir Thomas Robson, in his capacity as a vice-president of the U.E.C., accompanied by Mr P. Carrel (Under-Secretary) as technical adviser, attended the meeting of the Exécutif des Présidents of the U.E.C., which was held in Vienna on August 20th, 1964, preceding the opening of the fifth U.E.C. congress.

The Institute's delegates who attended the meeting of the assembly of delegates of the U.E.C. in Vienna on August 29th, 1964, were: Sir Thomas Robson, Mr S. John Pears, Mr G. B. Pollard and Mr P. Carrel (Under-Secretary). At this meeting Sir Thomas Robson was re-elected to membership of the Exécutif des Présidents for a further term.

Nineteenth National Congress of the Councils of the Ordre des Experts Comptables et des Comptables Agréés

It was reported that the Vice-president, Mr R. McNeil, attended the nineteenth National Congress of the Councils of the Ordre des Experts Comptables et des Comptables Agréés, which was held in Nantes from September 25th to 27th, 1964, as representative of the Institute.

Eire Companies Act, 1963

The Council received a report that the Secretary had received a letter from the Department of Industry and Commerce in Dublin informing him that the Minister had afforded recognition to The Institute of Chartered Accountants in England and Wales under subsection (i) (*a*) of section 162 of the Companies Act, 1963, subject to the following conditions:

(i) that recognition may be withdrawn by the Minister at any time;

(ii) that the Institute shall furnish to the Minister on request information regarding the holding of examinations, appointment of examiners, enforcement of discipline, etc.;

(iii) that the Institute shall furnish to the Minister a copy of any proposed alterations to the Charter and bye-laws.

Syllabus for New Examinations: Taxation

Intermediate

(1) The new Intermediate examination was held for the first time in September 1964. Inquiries received at the Institute reveal that differing views are held as to the extent to which candidates at this examination are expected to have knowledge of taxation.

(2) This aspect of the syllabus is covered by note (ii) on page 46 of the September and November 1964 examinations edition of the booklet *General Information and Syllabus of Examinations* which at present reads:

'Whilst there is no separate paper on taxation, candidates will be expected to have elementary knowledge of the law and principles of income tax and their simple application.

'Questions will NOT be set involving the computation of capital allowances, a knowledge of surtax, profits tax, excess profits levy, penalties, assessment of capital gains or foreign income, double taxation relief, residence or domicile.'

(3) To clarify the position, the Examination Committee has revised the note to read:

'Questions will not be set on taxation liability or its computation but candidates will be expected to have sufficient elementary knowledge to enable them to deal with taxation in accounts.'

(4) This revised wording is not intended to represent a substantial change from the syllabus already published but to indicate more precisely the extent to which a knowledge of taxation is required in this examination.

Final (Part I)

(5) The opportunity has been taken to amend the wording of the syllabus for the Taxation I paper at the new Final (Part I) examination. The syllabus for this paper appears on page 47 of the September and November 1964 examinations edition of the booklet *General Information and Syllabus of Examinations* at present as follows:

'Income tax and surtax on personal incomes excluding assessments of Cases I and II of Schedule D; estate duty.'

(6) To clarify the position, the Examination Committee has revised the wording of the syllabus for this paper to read:

'Income tax (including surtax) on individual incomes but excluding assessments of Cases I and II under Schedule D; estate duty.'

(7) As in the case of the Intermediate examination, this revised wording is not intended to represent a substantial change from the syllabus already published but to indicate more precisely the extent to which a knowledge of taxation is required in this examination.

Final (Part II)

(8) The wording of the syllabus for the Taxation II paper at the new Final (Part II) examination remains unchanged.

Registration of Articles

The Secretary reported the registration of 170 articles of clerkship during July and August, the total number since January 1st, 1964, being 1,455.

Admissions to Membership

The following were admitted to membership of the Institute:

¶Abbasakoor, Umar Noormohamed, A.C.A., *a*1964; 44 Hillmarton Rd, London N7.

Abrahams, Norman Louis, A.C.A., *a*1964; 46 Langdale Rd, Liverpool 15.

Acheson, David Walker, B.A., A.C.A., *a*1964; 34A Coombe Rd, Croydon, Surrey.

Adams, John Trevor, A.C.A., *a*1964; 7 Bedford Court, Harrowdene Rd, North Wembley, Middx.

Adams, Paul Ernest, A.C.A., *a*1964; 7 Bowthorpe Rd, Wisbech, Cambridgeshire.

Adams, Richard Arthur, A.C.A., *a*1964; 37 Barlows Rd, Edgbaston, Birmingham 15.

Adelusi, Michael Ojo, B.SC.(ECON.), A.C.A., *a*1964; 45 Ajose St, Suru-Lere, Yaba, Lagos, Nigeria.

Adey, John Victor, A.C.A., *a*1964; Rosemount, Burtons Lane, Chalfont St Giles, Bucks.

Agutter, Richard Devenish, A.C.A., *a*1964; 1 Ashburn Place, London SW7.

Ahmed, Iftikhar, A.C.A., *a*1964; No. 3/A Zafar Ali Rd, Upper Mall, Lahore, Pakistan.

Ainsworth, Richard Caddow, A.C.A., *a*1964; 15 Manor Park, Redland, Bristol 6.

Airey, Edwin John, A.C.A., *a*1964; 101 Hollins Lane, Accrington.

Akinmade, Alao Yinusa, B.SC.(ECON.), A.C.A., *a*1964; with Price Waterhouse & Co, 3 Frederick's Place, Old Jewry, London EC2.

Allam, (Miss) Andrea Lillian, A.C.A., *a*1964; Borderland, Whitcombe Rd, Newport, I.W.

Allan, John Hamilton Birkett, B.A., A.C.A., *a*1964; South Lodge, The Oval, Harrogate.

Allday, David John, B.SC.(ECON.), A.C.A., *a*1964; 59 Silvermere Ave, Collier Row, Romford, Essex.

Allen, John Philip, A.C.A., *a*1964; 44 Westgreen Ave, Allenton, Derby.

Allen, Paul Marsden, A.C.A., *a*1964; Lindisfarne, Howell Hill, Ewell, Surrey.

Allen, Stephen Albert, A.C.A., *a*1964; 76 Grove Vale Ave, Great Barr, Birmingham 22A.

Allsop, Keith Frederick William, B.A., A.C.A., *a*1964; 16 Whitehall Rd, Harrow-on-the-Hill, Middx.

Almond, Peter, A.C.A., *a*1964; 11 Holly Rd, Fairfield, Liverpool 7.

Ames, Christopher Brian, A.C.A., *a*1964; 'Greystones', Knole Park, Almondsbury, Bristol.

---

a Indicates the year of admission to the Institute.

aS Indicates the year of admission to The Society of Incorporated Accountants.

§ Means 'incorporated accountant member'.

¶ Means 'member in practice.'

‡ Practice is not member's main occupation.

Firms not marked † †† or * are composed wholly of chartered accountant members of the Institute.

†Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountand in Great Britain and Ireland.

††Against the name of a firm indicates that the firm includes an incorporated accountant member of this Institute and is composed wholly of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

*Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

Anderson, Duncan John, A.C.A., a1964; 24 Bertha Way, Kettering, Northants.
Ani, Anthony Asuquo, A.C.A., a1964; with Cassleton Elliott & Co, 4–6 Throgmorton Ave, London EC2.
Antipoff, John Robert, A.C.A., a1964; 91 Armour Hill, Tilehurst, Reading, Berks.
Armstrong, John Enoch, A.C.A., a1964; 31 Inveresk Gdns, Worcester Park, Surrey.
Armstrong-Flemming, Nigel Hugh Gordon, A.C.A., a1964; 'Valletta', St Omer Ridge, Guildford, Surrey.
Arrand, Norman, A.C.A., a1964; Co-op House, Market Place, Epworth, near Doncaster.
Askew, Anthony Edward, A.C.A., a1964; 321 Upper Richmond Road West, East Sheen, London SW14.
Aston, Anthony Lynn, B.SC.(ECON.), A.C.A., a1964; 46 Crooked Billet, Wimbledon, London SW19.
Aston, Anthony Peter Charles, A.C.A., a1964; 576 Haslucks Green Rd, Shirley, Solihull, Warwicks.
Ataullah Khan, Ahsan Raza, A.C.A., a1964; 40 Gulberg 5, Lahore, Pakistan.
Atkinson, James Stuart, A.C.A., a1964; 206 Swinnow Rd, Pudsey, Yorks.
Atwood, Hugh Geoffrey Richard, B.A., A.C.A., a1964; 538 Brighton Rd, South Croydon, Surrey.
Aukland, David, A.C.A., a1964; 6 Hard Lane, St Helens, Lancs.
Austin, Michael, A.C.A., a1964; 15 Albemarle Rd, York.

Bagnall, David Leonard, A.C.A., a1964; 188 Burneside Rd, Kendal, Westmorland.
Bailey, John Reginald, A.C.A., a1964; 31 Reynolds Rd, Manchester 16.
Bain, Richard John Shenton, A.C.A., a1964; 3 Broomfield Bldg, Chobham Rd, Sunningdale, Berks.
Baker, Anthony Reginald Alfred, A.C.A., a1964; 76 Lower High St, Thame, Oxon.
Baker, Clive, A.C.A., a1964; 14 Garrick Court, Kennington Park Rd, London SE11.
Baker, Eric William, A.C.A., a1964; 38 Hepscott Ter., South Shields, Co Durham.
Baker, Robin Dudley, A.C.A., a1964; 7 Vine Rd, Otley, near Ipswich.
Ball, Alan Edward, A.C.A., a1964; 16 Knighton Rd, Otford, near Sevenoaks, Kent.
Balshaw, Richard Thomas, A.C.A., a1964; c/o 84 Shakespeare St, Southport, Lancs.
Baltaian, Boghos, B.A.(ECON.), A.C.A., a1964; 6 Sunbury Ave, Jesmond, Newcastle upon Tyne 2.
Bancroft, Michael Henson, A.C.A., a1964; Warden Lodge, Coppice Lane, Reigate, Surrey.
Barber, Kenneth George, A.C.A., a1964; 33 Alma House, Fore St, Edmonton, London N9.
Barfield, Arthur Victor Harold, A.C.A., a1964; 41 Elmgrove Rd, Gorleston, Great Yarmouth.
Barker, Alan Douglas, A.C.A., a1964; 363 Street Lane, Leeds 17
Barker, John Roland David, A.C.A., a1964; with Walter Ward & Co, Mazda Bldgs, Campo Lane, Sheffield 1.
Barnett, Anthony John, A.C.A., a1964; 39 Bushey Way, Beckenham, Kent.
Barnwell, John, A.C.A., a1964; 21 Dove St, Nunnery Lane, York.
Barraclough, Keith Clayton, B.A.(COM.), A.C.A., a1964; 12 Repton Ave, Droylsden, near Manchester.
Barrand, Roger Woolrych, A.C.A., a1964; 20 Parsons Green Lane, London SW6.
Bartlett, Philip Anthony, A.C.A., a1964; 14 Stirling Ave, Leamington Spa.
Basten, Leo Thomas Arthur, A.C.A., a1964; 32 Petersham Rd, Richmond, Surrey.
Bates, Alan Eric Hamilton, A.C.A., a1964; Eltham Lodge, Watts Cross, Hildenborough, Kent.
Baulcombe, William Frederick, A.C.A., a1964; with Ernest Hall & Co, Curtis House, 12 Poplar Rd, Solihull, Warwicks.
Bavington-Jones, Robin Frederick, A.C.A., a1964; Torbay, Norwich Rd, Cromer, Norfolk.
Baxter, Robin Tristram, B.A., A.C.A., a1964; 20 Woodcote Ave, Wallington, Surrey.
Bays, John Newton, A.C.A., a1964; Flat 4, 97 Lexham Gdns, London W8.
Beak, Terence John, A.C.A., a1964; 16 Warwick Crescent, Sittingbourne, Kent.
Beard, Michael Walter, A.C.A., a1964; 33 Beale St, Stourbridge.
Bendel, Allan Paul, A.C.A., a1964; 30 Cleveland Mansions, Widley Rd, Maida Vale, London W9.
Bennett, Gordon Frederick, A.C.A., a1964; 87 Green Lane Farm, Buxton, Derby.
Bennetts, Henry Paul, A.C.A., a1964; 'Homefield', Treslotman Rd, Troom, Camborne, Cornwall.
Bentall, Leonard Edward, A.C.A., a1964; 'Ridgemount', Ashcombe Ave, Surbiton, Surrey.
Best, Peter, LL.B., A.C.A., a1964; 28 Clifton Walk, Bootle 20, Lancs.
Bevan, Malcolm Leslie, A.C.A., a1964; 51 Mullensgrove Rd, Kingshurst, Birmingham 34.
Bhattacharya, Satyadas, B.SC.(ECON.), A.C.A., a1964; 33 Cheltenham Rd, Manchester 21.
Bindlish, Raj Kumar, A.C.A., a1964; 61 Wilberforce Rd, London N4.
Birchall, Charles William David, A.C.A., a1964; 3 Eshe Road North, Liverpool 23.
Birt, Stuart John Larson, A.C.A., a1964; 44 Bury Meadows, Bury Lane, Rickmansworth, Herts.
Bishop, Roger David A.C.A., a1964; 114 Spring Hill, Worle, Weston-super-Mare.
Blackburn, Derek, A.C.A., a1964; 15 East Street, Walsall.
Blanchard, Peter, A.C.A., a1964; 20 Davenport Avenue, Oadby, Leics.
Blatcher, David, A.C.A., a1964; 10 Court Drive, Queens Rd, Maidstone, Kent.
Boampong, Samuel Apeagyei, A.C.A., a1964; 68 Undine St, Tooting, London SW17.
Boden, Charles William, A.C.A., a1964; 4 Sackville St, Basford, Stoke-on-Trent.
Bogard, Montague Charles, B.COM., A.C.A., a1964; 1 Faber Gdns, London NW4.
Bolitho, John Francis, A.C.A., a1964; 11 Princes Ave, West Kirby, Cheshire.
Bolton, Alastair Maxwell, A.C.A., a1964; 139A Blythe Rd, London W14.
Boot, Raymond Frank, A.C.A., a1964; 38 Kinsdale Drive, Thurnby Lodge Estate, Leicester.
Bordoley, Michael, A.C.A., a1964; 140 Wrens Park House, Warwick Grove, London E5.
Bott, Geoffrey Brian, A.C.A., a1964; 16 Beech Close, Southam, Warwicks.
Bouch, William Vernon, A.C.A., a1964; 312A High Rd, Chiswick, London W4.
Boulton, Michael John, A.C.A., a1964; 50 Rundle Rd, Sheffield 7.
Bowler, Peter Bruce, B.A.(ECON.), A.C.A., a1964; 5 Claremont Rd, West Kirby, Wirral, Cheshire.
Bown, Nicholas Neville, A.C.A., a1964; Home Farm, Steventon, Basingstoke, Hants.
Bradley, John Neil, A.C.A., a1964; 12 St John's Rd, Clifton, Bristol 8.
Bradshaw, Jeffrey Roy, A.C.A., a1964; 18 Freshfield Rd, Heaton Mersey, Stockport.
Braithwaite, Howard Proctor, A.C.A., a1964; 39 West Lane, Middlesbrough.
Brand, Malcolm Arthur, A.C.A., a1964; 253 Badger Rd, Woodhouse, Sheffield.
Brass, Peter Thomas, B.A., A.C.A., a1964; 2 Crescent Gdns, Wimbledon, London SW19.
Bravo, Graham Philip, A.C.A., a1964; 21 Welsby Court, Eaton Rise, London W5.
Brayshaw, Edward Michael, A.C.A., a1964; 10 Manor Drive, Headingley, Leeds 6.
Breton, Robert Anthony, B.A.(COM.), A.C.A., a1964; with Whinney, Smith & Whinney, Midland Bank Bldgs, Spring Gdns, Manchester 2.

Brewis, Robert Aylmer, A.C.A., a1964; Flat 3, The Elms, Ducks Walk, E. Twickenham, Middx.
Briggs, Dennis, A.C.A., a1964; 7 Margaret Close, Aston, Sheffield.
Brilliant, Victor Edward, A.C.A., a1964; 1 Basing Hill, London NW11.
Bristow, Alan Lindsay, A.C.A., a1964; c/o McDonald, Carrie & Co, 630 Dorchester Boulevard W, Montreal 2.
Brough, Barry, A.C.A., a1964; 19 Thornacre Rd, Wrose, Shipley, Yorks.
Brown, James Richard, A.C.A., a1964; 9 Terrace Rd, Maidstone, Kent.
Brown, John Granger, B.A., A.C.A., a1964; 31 Shrewsbury Rd, Oxton, Birkenhead.
Brown, John Neville, M.A., A.C.A., a1964; The Cottage, Tutbury, Burton-on-Trent.
Browne, Geoffrey John Paul, A.C.A., a1964; 44 Redland Court Rd, Bristol 6.
Brummitt, David, A.C.A., a1964; 25 Ashmere Grove Fartown, Huddersfield, Yorks.
Bryant, Edward Henry, A.C.A., a1964; 6 Seaforth Gdns, Stoneleigh, Epsom, Surrey.
Bryant, George Robert, M.A., A.C.A., a1964; with Turquand, Youngs & Co (P.O. Box 61), 10 South St, Valletta, Malta G.C.
Bryce, Michael Stanley, B.A., A.C.A., a1964; 58 Fenham Hall Drive, Newcastle upon Tyne 4.
Buckley, Brian Bertrand, B.COM., A.C.A., a1964; 'Karlstad', Whitecroft Lane, Mellor, near Blackburn.
Buckley, Michael Anthony Christopher, A.C.A., a1964; Hook Farm, West Hoathly, near E. Grinstead, Sussex.
Buffham, Brian Leonard, B.A., A.C.A., a1964; 35A Chalcot Sq., London NW1.
Bulley, Alan Michael, A.C.A., a1964; 11 Dibdin Rd, Sutton, Surrey.
Burden, Edward Tregenna, A.C.A., a1964; with Arthur Daniels & Co, Albemarle House, Osborne Rd, Southsea, Hants.
Burgin, Kenneth Richard, A.C.A., a1964; 86 Longley Ave, Wembley, Middx.
Burn, Christopher Charles, A.C.A., a1964; 19 Grosvenor Crescent Mews, London SW1.
Burns, Robert, A.C.A., a1964; 42A Upper Northgate St, Chester.
Burridge, Roy Victor, A.C.A., a1964; 25 Emsworth Rd, Shirley, Southampton.
Burrows, Rowland Keith, A.C.A., a1964; 78 Elizabeth Court, Long St, Wigston Magna, Leics.
Bushell, John Hudson, A.C.A., a1964; 'Okeford', Furze Hill, Kingswood, Surrey.
Butcher, Anthony Edward William Hugh, A.C.A., a1964; 4 Pottergate, Lincoln.
Butterfield, Alan Charles, A.C.A., a1964; 50 Chestnut Rise, Plumstead, London SE18.
Butterworth, Brian, A.C.A., a1964; 24 Tinderley Grove, Almondbury, Huddersfield.
Byrd, Edward George, B.A., A.C.A., a1964; 33 Moreton Terrace, London SW1.

Cain, William John, B.COM., A.C.A., a1964; 70 Green Lane, Allerton, Liverpool 18.
Cambridge, Michael Burnett, A.C.A., a1964; 129 Mount Street, London W1.
Cameron, Ian Nigel, A.C.A., a1964; 'Graylands', Vicarage Lane, Send, near Woking, Surrey.
Cameron, Neil Andrew, A.C.A., a1964; 16 Merton Rise, London NW3.
§Campbell, Colin Vezey, A.S.A.A., a1964; with Halsey, Button & Perry, Fourth Floor, Harland House, Loveday St, Johannesburg, S. Africa.
Cant, Anthony Pinnington, A.C.A., a1964; 'Ingleborough', St George's Rd, Hightown, near Liverpool.
Carey, Christopher de Lisle, A.C.A., a1964; 5 Norwood Lodge, York Rd, Weybridge, Surrey.
Carr, Brendan Michael, A.C.A., a1964; Flat 3, 107A Old Brompton Rd, London SW7.
Carratu, Nicola Francis Ralph, A.C.A., a1964; 63 Flanders Mansion, Flanders Rd, London W4.
Carroll, William Harvey, A.C.A., a1964; Corner Croft, Wood Lane, Timperley, Altrincham, Cheshire.
Carter, Gordon Michael Charles, A.C.A., a1964; 29A Larpent Ave, Putney, London SW15.
Carter, William David Antony, B.A., A.C.A., a1964; 7 Glenmore Rd, London NW3.
Caseley, Richard George Henry, B.A., A.C.A., a1964; 17 Cotleigh Ave, Albany Park, Bexley, Kent.
Castleton, Trevor Douglas, A.C.A., a1964; Blackwell Farm, Latimer, Chesham, Bucks.
Catchpole, Edward Scott, A.C.A., a1964; 53 Stoddens Rd, Burnham-on-Sea, Somerset.
Catto, Peter Michael Ian, A.C.A., a1964; 20 Denewood Rd, Kenwood, London N6.
Chambers, John Essex, A.C.A., a1964; 73 Cyprus Rd, Mapperley Park, Nottingham.
Chan, (Miss) Ruby Soon Hong, A.C.A., a1964; with Chan Kum Chee & Co, 41 Bank of China Bldg, Battery Rd, Singapore 1.
Chapman, Alan Bernard, A.C.A., a1964; Little Orchards, Layters Way, Gerrards Cross, Bucks.
Charnaud, Christopher Adam, B.A., A.C.A., a1964; 11 Richmond Bridge Mansions, Willoughly Rd, Twickenham, Middx.
Chhabra, Krishan Chand, A.C.A., a1964; 79 Belsize Lane, London NW3.
Cholmeley, John Montague, A.C.A., a1964; 'Willow Hayne', Chantry View Rd, Guildford, Surrey.
Christlieb, John Aubrey, A.C.A., a1964; 88 West Common Rd, Hayes, Kent.
Clark, Alastair George, A.C.A., a1964; 17 Saxton Ave, Bessacarr, Doncaster.
Clark, Anthony Frederick Bessemer, A.C.A., a1964; 10 Sprimont Place, London SW3.
Clark, Anthony Maurice, A.C.A., a1964; 39 Hursley Rd, Chandlers Ford, Eastleigh, Hants.
Clark, Timothy Moger, A.C.A., a1964; 15 Thames Side, Reading.
Clarke, Peter John Frederick, A.C.A., a1964; 75 Stoney Rd, Coventry.
Clasen, Andrew Bernard Patrick, A.C.A., a1964; 96A Ossulton Way, London N2.
Clayton, Peter Gratton, A.C.A., a1964; 'Greythwaite', Butley Park, Prestbury, Cheshire.
Clee, Kenneth Goulden, A.C.A., a1964; 36 Butterton Rd, Rhyl, Flintshire.
Coakes, Raymond John, A.C.A., a1964; 41 Haven Rd, Canford Cliffs, Poole, Dorset.
Coates, Graham Carlton, A.C.A., a1964; Flat C, 9 Melville Rd, Redland, Bristol 6.
Cohen, Bruce James Rodney, B.A., LL.B., A.C.A., a1964; Coombe Green, Coombe Hill Rd, Kingston Hill, Surrey.
Cohen, David Mordecai, A.C.A., a1964; with Stoy, Hayward & Co, 97 and 99 Park St, London W1.
Coleman, David Anthony, A.C.A., a1964; 15 Laithe Grove, Wibsey, Bradford 6.
Colley, Barry Walter, A.C.A., a1964; 'The Limes', St Anne's Rd, Godalming, Surrey.
Collier, Samuel, A.C.A., a1964; 48 Broad Rd, Sale, Cheshire.
Collum, Hugh Robert, A.C.A., a1964; 17 Billing St, London SW10.
Comer, Dudley David Swan, B.A., A.C.A., a1964; 47 Maze Hill, London SE10.
Connah, Michael Terence, A.C.A., a1964; 24 Fairlight Rd, Hadleigh, Essex.
Connett, Richard, A.C.A., a1964; Flat 2, 15 Brettell Lane, Amblecote, Stourbridge, Worcs.
Conran, Christopher Crawford, A.C.A., a1964; 63 Berriedale Ave, Hove 3.
Conway, Peter, A.C.A., a1964; 114 Norbury Crescent, Norbury, London SW16.
Cook, Allan Vincent Cannon, B.SC.(ECON.), A.C.A., a1964; 49 Murray Rd, Wimbledon, London SW19.

Cook, David, A.C.A., a1964; 9 Tyndalls Park Rd, Clifton, Bristol 8.
Cooke, Anthony Roderick Chichester Bancroft, A.C.A., a1964; 13 Bolton Gdns, London SW5.
Cooke, Gordon, A.C.A., a1964; 84 Ings Rd, Hull.
Cooper, John Edward, A.C.A., a1964; Little Steading, Godden Green, Sevenoaks, Kent.
Cooper, John Wilfred, A.C.A., a1964; 4 Farnley Lane, Otley.
Copestick, Anthony Roger, A.C.A., a1964; 122 Craddocks Ave, Ashtead, Surrey.
Corson, John Roger, B.A., A.C.A., a1964; with Kemp, Chatteris & Co, Bucklersbury House, Walbrook, London EC4.
Coupland, William David, A.C.A., a1964; 88 Lewin Rd, Streatham, London SW16.
Cowperthwaite, John Lawrence, A.C.A., a1964; 76 Danes Court, Wembley Park, Middx.
Cox, Raymond Brian, A.C.A., a1964; 8 Martin Way, Morden, Surrey.
Crack, Brian Reginald, B.SC.(ECON.), A.C.A., a1964; 68 Savernake Rd, London NW3.
Crammond, Jeremy John, B.SC., A.C.A., a1964; 67 Eccleston Sq., London SW1.
Cranleigh-Swash, Philip Anthony, B.A., A.C.A., a1964; 87 Coniston Ave, Upminster, Essex.
Creamer, John Edward, A.C.A., a1964; 23 Carton House, Henry Dickens Court, St Ann's Rd, London W11.
Cresswell, Peter Charles, A.C.A., a1964; 121 Bedfont Close, Bedfont, Middx.
Cresswell, Robert Dennis Albert, A.C.A., a1964; 36 Lucastes Ave, Haywards Heath, Sussex.
Cripps, Brian Ernest, A.C.A., a1964; 367 Victoria Ave, Higher Blackley, Manchester 9.
Croft, Robert John, A.C.A., a1964; 74 Micklegate, York.
Crook, David Marcel, A.C.A., a1964; 160 Chorley Rd, Westhoughton, near Bolton.
Crow, David Brian Spencer, A.C.A., a1964; 13 Dealtry Rd, London SW15.
Croxton, Frederick Wyndham, A.C.A., a1964; 127 Parks Hall Rd, Woodsetton, Dudley, Worcs.
Curtis, Peter John, A.C.A., a1964; 55 Westcroft Gdns, Morden, Surrey.
Curwin, Roger Nigel, A.C.A., a1964; The White House, Priory Drive, Stanmore, Middx.

Daly, John James, A.C.A., a1964; 28 Marsland Close, Hagley Rd, Edgbaston, Birmingham.
Daubeny, Charles Niel, A.C.A., a1964; Halnacker Hill, Brook, near Godalming, Surrey.
Davies, Dennis James, A.C.A., a1964; 19 Tilbrook Rd, Regents Park, Southampton.
Davies, Norman Rodney, A.C.A., a1964; 5 Ryefield Rd, Sale, Cheshire.
Davies, Stephen George Tristan, A.C.A., a1964; 40 Lakeside Rd, Branksome Park, Poole, Dorset.
Davis, Christopher Philip, A.C.A., a1964; 79 North Gate, Regents Park, London NW8.
Davis, Gerald Frederick, A.C.A., a1964; 17 Little Hardwick Rd, Aldridge, Walsall, Staffs.
Davis, Michael, A.C.A., a1964; 11 Gregg Hall Crescent, Lincoln.
Dean, Brian Harris, A.C.A., a1964; 'Brivale', Greenway, Middleton-on-Sea, Sussex.
Deane, John Ernest, B.A., A.C.A., a1964; 248 Davidson Rd, East Croydon, Surrey.
Desai, Suresh Krishnalal, A.C.A., a1964; c/o D. K. Desai, 16/2 Lake View Rd, Calcutta 29.
Dewar, Robert David, A.C.A., a1964; 'Belhaven', Sanderstead Rd, Sanderstead, Surrey.
Diamantino, Cecil Albert Scifo, A.C.A., a1964; London House, Mecklenburgh Sq., London WC7
Dieffenthaller, George Anthony, B.COM., A.C.A., a1964; 158 Willow Ave, Edgbaston, Birmingham 17.
Dinan, Marie Désiré Pierre, B.SC.(ECON.), A.C.A., a1964; with Evans Smith Boothroyd & Co, 99 Fenchurch St, London EC3.
Dodds, Brian Alfred, A.C.A., a1964; with Stagg, Richardson & Co, 33 Station Rd, Chadwell Heath, Essex.
Doel, Herbert Francis, A.C.A., a1964; 105 Clayton Rd, Chessington, Surrey.
Downing, Michael John, A.C.A., a1964; 10 Trenton Ave, Anlaby High Rd, Hull.
Driscoll, James Ronald, A.C.A., a1964; 232 Buckingham Rd, Bicester, Oxon.
Duckworth, Stephen Roger, M.A., A.C.A., a1964; 24 Kingsway, Ansdell, Lytham St Annes, Lancs.
Duggan, Shaun Walker, A.C.A., a1964; High View, Borrowby, Thirsk, Yorks.
Dunford, (Miss) Patricia, A.C.A., a1964; 208A Gosbrook Rd, Caversham, Reading.
Dunkerley, Eric, A.C.A, a1964; 40 Anfield Rd, Cantley, Doncaster.
Dunlop, Keith McHaffie, A.C.A., a1964; 13 Street Lane, Leeds 8.
Dunscombe, Raymond John, A.C.A., a1964; 'Clayton', Pondtail Rd, Horsham, Sussex.

Eccleston, David John, A.C.A., a1964; c/o A. Eccleston & Sons Ltd, 7 Town Hill, Wrexham.
Edwards, Christopher John, M.A., A.C.A., a1964; Colne Cottage, Colnbrook, Bucks.
Edwards, David, A.C.A., a1964; 11 Black Horse Place, Liverpool 13.
Edwards, Frederick Arnold, A.C.A., a1964; 7 Cedar Grove, Sefton Park, Liverpool 8.
Edwards, Michael Geoffrey Roland, A.C.A., a1964; with Ware Ward & Co, 1 Vaughan Parade, Torquay.
Ellington, Richard Thomas Padfield, A.C.A., a1964; 36 St Georges Rd, Petts Wood, Kent.
Elliott, Peter Arthur, A.C.A., a1964; 94 Ivy Park Rd, Sheffield 10.
Ellis-Jones, David Christopher, A.C.A., a1964; 'Tyn-y-Coed', The Straight Mile, Ampfield, near Romsey, Hants.
Ellison, John, A.C.A., a1964; 36 Greencourt Rd, Petts Wood, Kent.
England, Gordon Edward Richard, A.C.A., a1964; 10 Boulnois Ave, Parkstone, Poole, Dorset.
England, John Christopher, A.C.A., a1964; 35 Kenilworth Rd, Leamington Spa, Warwicks.
English, Alfred James, A.C.A., a1964; 1 Salisbury Rd, Walthamstow, London E17.
English, William, A.C.A., a1964; 61 Montreal Street, Currock, Carlisle.
Enoch, Melvyn Stuart, A.C.A., a1964; 25 Whitley Court, Coram Street, London WC1.
Entract, Michael, B.A.(ECON.), A.C.A., a1964; 228 Pleckgate Rd, Blackburn.
Evans, Roger Lewis, A.C.A., a1964; 57 Mapperley Hall Drive, Nottingham.
Ewedemi, Olufunmiso Babafemi, B.SC.(ECON.), A.C.A., a1964; 62 Brickfield Rd, Ebute-Metta, Lagos, Nigeria.
Eykyn, William James, A.C.A., a1964; c/o Mycalex and T.I.M. Ltd, Ashcroft Rd, Cirencester, Glos.
Falconer, Brigh Hugh, A.C.A., a1964; 11 St Jean Walk, Greenways Estate, Tiptree, Essex.

Falconer, William Ernest Graeme, A.C.A., a1964; 37 Horseshoe Crescent, Beaconsfield, Bucks.
Farmer, Henry Tatton, A.C.A., a1964; c/o Westminster Bank Ltd, 1 Lee Rd, London SE3.
Fearne, John Jeffrey, A.C.A., a1964; Westminster Bank House, Market Place, Loughborough, Leics.
Feingold, Joshua Gerald, A.C.A., a1964; 142 Bellott St, Hightown, Manchester 8.
Fellows, Anthony Edward Max, A.C.A., a1964; 64 Croftdown Rd, Highgate Rd, London NW5.
Field, Richard Anthony, A.C.A., a1964; 11 Bishopswood Rd, Highgate, London N6.
Fielding, David Hope, A.C.A., a1964; 'Pinelands', Sandy Lane, Northwood, Middx.
Filer, Victor Philip, A.C.A., a1964; 3 Cholmley Gdns, West Hampstead, London NW6.

Fisher, Robert Stewart, A.C.A., a1964; 45 Poltimore Rd, Guildford, Surrey.
Foley, John, A.C.A., a1964; 43 Longmore Ave, Woolston, Southampton.
Ford, Derek, A.C.A., a1964; 175A Bells Hill, Barnet, Herts.
Forwood, Antony Alexander, A.C.A., a1964; 44 Whielden St, Old Amersham, Bucks.
Foster, Brian Antony, A.C.A., a1964; 28 High St, Pensnett, Brierley Hill, Staffs.
Foster, Keith James, B.A., A.C.A., a1964; 119 Longmore Rd, Shirley, Solihull, Warwicks.
Francis, John Eric, A.C.A., a1964; 28 Cloister Crofts, Leamington Spa, Warwicks.
Fraser-Harris, Brian David, A.C.A., a1964; 11 Exeter Rd, Southsea, Hants.
Freebody, Roger Anthony, A.C.A., a1964; c/o Alfa-Laval Co Ltd, Gt West Rd, Brentford, Middx.
Frei, Alfred, A.C.A., a1964; 19 St Peters Court, Queens Rd, Hendon, London NW4.

Gardner, Arthur Michael, M.A., A.C.A., a1964; 194 Adelaide Rd, Hampstead, London NW3.
Garratt, Simon Lindsay, A.C.A., a1964; 10 Maple Rd, Walberton, Arundel, Sussex.
§Gatchfield, Jack Vernon, A.S.A.A., a1964; P.O. Box 3157; Nairobi, Kenya.
Gatoff, Leonard Henry, B.A.(ECON.), A.C.A., a1964; 6 Fernville Rd, Gosforth, Newcastle upon Tyne 3.
Gauthier, Joseph Paul Hans, A.C.A., a1964; 28 Henri Lemaire St, Beau-Bassin, Mauritius.
Gee, Richard Loveridge, A.C.A., a1964; 'East Keal', Romany Rd, Oulton Broad, Lowestoft.
Gibbs, Allan Andrew, A.C.A., a1964; 19 Bournside Rd, Cheltenham, Glos.
Giles, Richard, A.C.A., a1964; 11 Whirlow Park Rd, Sheffield 11.
Gill, Roger Edward, A.C.A., a1964; Aston Cottage, Claverley, near Wolverhampton.
Gillard, Alan John, A.C.A., a1964; 200 Parsonage Leys, Harlow, Essex.
Gillian, Michael William, B.A., A.C.A., a1964; Flat 5, Ranelagh House, 222 St Margaret's Rd, Twickenham, Middx.
Girdlestone, Timothy Charles, M.A., A.C.A., a1964; 29 Kildare Terrace, London W2.
Glover, Colin Edward, A.C.A., a1964; 7 Frobisher Close, Eastcote, Pinner, Middx.
Golding, Eric Roger, A.C.A., a1964; 28 Exeter Rd, Southgate, London N14.
Goodall, David John, A.C.A., a1964; 6 Springfield Grove, Sunbury-on-Thames, Middx.
Goodall, Stanley, A.C.A., a1964; 28 Fairway, Prestwich, Manchester.
Goodban, Christopher John, A.C.A., a1964; 'Firbanks', Chorleywood Rd, Rickmansworth, Herts.
Goodman, David Solomon, A.C.A., a1964; 191 Whitchurch Lane, Canons Park, Edgware, Middx.
Goodwin, Peter Reginald, A.C.A., a1964; 11 Ferndale Rd, Rayleigh, Essex.
Gough, Charles Brandon, B.A., A.C.A., a1964; 27 Carters Hill Close, Mottingham Lane, London SE9.
Gould, Michael James, A.C.A., a1964; 81 Highgate, Kendal, Westmorland.
Graham, William Reed, A.C.A., a1964; Park View, Cardew, Dalston, Carlisle.
Grant, Ian Caulfeild, A.C.A., a1964; 1 Hurlingham Gdns, London SW6.
Grapes, John Christopher, A.C.A., a1964; 7 Marlborough Rd, Chandlersford, Hants.
Graves, Alan Dennis, A.C.A., a1964; 23 Leconfield House, Champion Hill, London SE5.
Greenhill, Keith, A.C.A., a1964; 77 Wicklow Drive, Leicester.
Greenwood, George Eric, A.C.A., a1964; 46A Lower Fold, Marple Bridge, near Stockport.
Gregory, Peter, A.C.A., a1964; 89 St Mary's Rd, Market Harborough, Leics.
Gresty, Peter John, A.C.A., a1964; 2 St Mary's Rd, Sale Cheshire.
Griffin, Thomas Joseph, A.C.A., a1964; 4 Ridgemount, Ridge Rd, London NW2.
Griffiths, David, A.C.A., a1964; 3 West End, Llanelly, Carms, S. Wales.
Gurrie, Leonard Alan, A.C.A., a1964; 203 Collingwood House, Dolphin Sq., London SW1.
Guttentag, Clarence, B.SC.(ECON.), A.C.A., a1964; 11 Seymour Court, Cazenove Rd, London N16.
Guy, Roy William, A.C.A., a1964; with Peters, Elworthy & Moore, Downing St, Cambridge.

Hacking, David Richard, A.C.A., a1964; 5 Parkgate, Knutsford, Cheshire.
Haines, Michael Paul, A.C.A., a1964; 162 High St, Cymmer, Porth, Rhondda, Glam.
Hallas, Gordon, A.C.A., a1964; with Simpson, Wood & Co, Bank Chmbrs, Market St, Huddersfield.
Hallsworth, Norris Edward, A.C.A., a1964; 75 Belmont Ave, Breaston, Derbyshire.
Hamel, John Anthony, A.C.A., a1964; 10 Beverley Gdns, Cullercoats, North Shields, Northumberland.
Hamer, Anthony Marcel George, A.C.A., a1964; Victoria Hotel, 166 Queenstown Rd, London SW8.
Hammond, Angus Akinkunmi, A.C.A., a1964; 170 Howard Rd, London E17.
Hancock, Nigel Leslie, A.C.A., a1964; 4 Cresswell Way, Winchmore Hill, London N21.
Hankinson, David Roger Lindon, B.A., A.C.A., a1964; 13 Stamford Close, Elms Rd, Harrow Weald, Middx.
Harding, Brian George, B.A., A.C..A, a1964; 33 Hurstdene Ave, Hayes, Kent.
Hargreaves, John Roger, A.C..A, a1964; 'Dunscar', Demage Lane South, Upton-by-Chester, Cheshire.
Harrison, David Bernard Kosta, M.A., A.C.A., a1964; 52 Gloucester Place, London W1.
Harrison, John Richard De Warrenne, B.A., A.C.A., a1964; 'Pipers', Gt Kingshill, Bucks.
Harrison, Robert Devereux, A.C.A., a1964; Hilliers Farm, North End, near Newbury, Berks.
Hart, Bryan, A.C.A., a1964; 13 Chellaston Rd, Wigston Fields, Leicester.
Hart, Paul Ernest, A.C.A., a1964; 66 Tudor Rd, New Barnet, Herts.
Hartley, Anthony Stephen Munro, A.C.A, a1964; North Lea, Henley-on-Thames, Oxon.
Hashimi, Faud Azim, A.C.A., a1964; 91 Queens Rd, Wimbledon, London SW19.
Hawes, Bernard Harold, A.C.A., a1964; 20 Parkdale Rd, Tonge, Bolton.
Hawkins, Anthony Charles Simson, A.C.A., a1964; 14 Foxgrove Rd, Beckenham, Kent.
Hayes, Christopher Neal, LL.B., A.C.A., a1964; 10 Greenbank Rd, Rochdale.
Helyer, George James, A.C.A., a1964; 11 Courtfield Rd, Ashford, Middx.
Hendon, Ronald, A.C.A., a1964; 20 Oakfield Court, Haslemere Rd, Crouch End, London N8.
Henrey, Robert John Edward, B.A., A.C.A., a1964; 2 Carrington House, Hertford St, London W1.
Hesketh, Albert Neville, A.C.A., a1964; 9 Chapel Rd, Irlam, Manchester.
Hewetson, John Francis, A.C.A., a1964; 302 Styal Rd, Heald Green, Cheadle, Cheshire.
Hewett, John Carr Bell, A.C.A., a1964; 50 Marsh Lane, Mill Hill, London NW7.
Heywood, Geoffrey Roger, A.C.A., a1964; 6 Amber Cottage, Coleshill, Bucks.
Hibbert, Geoffrey Spencer, A.C.A., a1964; 164 Church Lane, Marple, near Stockport.
Hickey, Kevin Thomas A.C.A., a1964; 12 Greengate, Greenford, Middx.
Higginson, Michael, A.C.A., a1964; 29 First Ave, Dunstable, Beds.
High, Malcolm, B.SC.(ECON.), A.C.A., a1964; 37 Stewart Ave, Upminster, Essex.

Hill, Brent Durbin, A.C.A., a1964; 36 Meadway, Poynton, Cheshire.
Hill, Colin John Richard, A.C.A., a1964; 28 Digby Mansions, New Hammersmith Bridge Rd, Hammersmith, London W6.
Hill, Norman William, A.C.A., a1964; 3 Cassville Rd, Liverpool 18.
Hill, Reginald David, A.C.A., a1964; 131 Latchmere Rd, London SW11.
Hill, Simon Anthony, A.C.A., a1964; St George Hotel, West Cliff Gdns, Bournemouth.
Hiscock, Bryan John, B.A., A.C.A., a1964; 23 Southlands Drive, Leeds 17.
Hobbs, Richard Everett, B.A., A.C.A., a1964; 50 Redcliffe Sq., London SW10.
Hobson, John Raymond, B.SC.(ECON.), A.C.A., a1964; Dept of Economics, University of Bristol, 40 Berkeley Sq., Bristol 8.
Hodgkinson, Paul Roger Dudley, A.C.A., a1964; 6 Hillcrest Gdns, Hinchley Wood, Esher, Surrey.
Hodgson-Barker, Michael John, A.C.A., a1964; 4 Alderton Rd, Herne Hill, London SE24.
Hogg, Nicholas Donald, A.C.A., a1964; 8 Rosslyn Ave, Chingford, London E4.
Holden, Robin John, A.C.A., a1964; 12 Harrod Drive, Birkdale, Southport.
Holder, Basil Reginald, B.A., A.C.A., a1964; 87 Newlands Park, London SE26.
Hollis, Anthony Stephen, A.C.A., a1964; 75 Kingsley Way, Hampstead Garden Suburb, London N2.
Holmes-Johnson, Peter Henry, A.C.A., a1964; Lion Lodge, Prince Imperial Rd, Chislehurst, Kent.
Hooper, Arthur William, B.SC.(ECON.), A.C.A., a1964; 8 Woodfield Way, Hornchurch, Essex.
Hope, Richard Stanley, A.C.A., a1964; 'Rowan Hill', Frithesden Copse, Berkhamsted, Herts.
Hopkins, William John, LL.B., A.C.A., a1964; 'Heathfield', Birch Vale, Stockport.
Horn, John Murray, A.C.A., a1964; Hollingbourne, Stoke Rd, Cobham, Surrey.
Hornabrook, Colin Maxwell, A.C.A., a1964; 36 Orchard Park, Holmer Green, High Wycombe, Bucks.
Hossain, Abul Kalam Md. Mosharraf, A.C.A., a1964; 278 Gillott Rd, Birmingham 16.
Hough, Peter John, A.C.A., a1964; with Hough & Son, 1 Newgate St, Newcastle upon Tyne 1.
Houghton, Michael Colin, A.C.A., a1964; Austin House, Broadway, Worcs.
House, Frederick Albert, B.A., A.C.A., a1964; 5 Leybourne Rd, Hillingdon, Middx.
Howard, Ronald George, A.C.A., a1964; 5 Heathfield Park, London NW2.
Howgate, John Matthew, B.COM., A.C.A., a1964; 131 Warrington Rd, Abram, near Wigan.
§Hoyle, Rupert Felix, A.S.A.A., a1964; with Deloitte, Plender, Griffiths, Annan & Co, P.O. Box 8219, Causeway, Salisbury, S. Rhodesia.
Hughes, David Edwards, A.C.A., a1964; Plas, Harlech, Merioneth.
Hulme, Martin, A.C.A., a1964; Branton Lodge, Great Austins, Farnham, Surrey.
Hulton, Frederick William, B.A., A.C.A., a1964; 6 Clareville Court, Clareville Grove, London SW7.
Humphreys, Trevor Lloyd, A.C.A., a1964; with W. B. Keen & Co, Finsbury Circus House, Blomfield St, London EC2.
Hunn, Graham Maurice George, A.C.A., a1964; 18 Priory Way, Hitchin, Herts.
Hunt, Arthur Walter, B.SC.(ECON.), A.C.A., a1964; 5 Fordwych Rd, London NW2.
Hunt, Geoffrey, A.C.A., a1964; 20 Rayner Rd, Brighouse, Yorks.
Husband, Terence Geoffrey, A.C.A., a1964; c/o Midland Bank Ltd, Poultry and Princes St, London EC2. (Resident abroad.)
Hutchings, Roy John, A.C.A., a1964; 4 Manor Rd, Seaton, Devon.

Hyatt, Ibrahim Abbas, A.C.A., a1964; 8 Daerwood Close, Bromley, Kent.

Isola, Francis Anthony, A.C.A., a1964; with Bullimore Wright & Co, 3 Throgmorton Ave, London EC2.
Ive, Colin Anthony William, B.A., A.C.A., a1964; 8 Crossfield Rd, Hale, Cheshire.

Jackman, (Miss) Jennifer Mary Elizabeth, A.C.A., a1964; 36 Creighton Ave, Muswell Hill, London N10.
Jackson, James Gordon, LL.B., A.C.A., a1964; 1 Beresford Rd, Chingford, London E4.
Jackson, Peter Croft, A.C.A., a1964; c/o Morganite Crucible Ltd, Norton, near Worcester.
Jaffer, Noordin Mohamed, A.C.A., a1964; P.O. Box 1192, Mombasa, Kenya.
Jaffrabadwalla, Aspi Kaiki, A.C.A., a1964; P.O. Box 459, Dar-es-Salaam, Tanganyika.
James, Colin Peter Lockwood, A.C.A., a1964; 35 Ash Hill Rd, Torquay, S. Devon.
James, Gerald Reaveley, A.C.A., a1964; with Peat, Marwick, Mitchell & Co, 11 Ironmonger Lane, London EC2.
James, Gerald Wallis, A.C.A., a1964; 'Beechdene', Dower Ave, Wallington, Surrey.
James, Robert Anthony, A.C.A., a1964; 65 Coryton Rise, Whitchurch, Cardiff.
Jameson, Albert Clive, A.C.A., a1964; 12 Dingwall Drive, Greasby, Wirral, Cheshire.
Jamieson, James McAulay, A.C.A., a1964; 36 Kidbrooke Grove, Blackheath, London SE3.
Jane, Malcolm Charles, A.C.A., a1964; 4 Lonewood Way, Hadlow, near Tonbridge, Kent.
Jenkin, David Lawrence, A.C.A., a1964; 38 Norwich Mansions, Norwich Ave, Bournemouth.
Jenkins, Clifford Frank, A.C.A., a1964; 36 Beaudesert Rd, Handsworth, Birmingham 20.
Jewison, Charles Peter, A.C.A., a1964; 15 Sprinfield Rd, Parkstone, Poole, Dorset.
Johnson, Roy William, A.C.A., a1964; with J. C. Watson, Westminster Bank Chmbrs, Station Rd, Harrow, Middx.
Johnston, Andrew Barrie, A.C.A., a1964; 332 Guildford Rd, Southport.
Jones, Brian, B.SC.(ECON.), A.C.A., a1964; 'Tiffins', Ashes Lane, Hadlow, Tonbridge, Kent.
Jones, John Bernard, A.C.A., a1964; The Old Bridle Lodge, Grove Rd, Holywell Hill, St Albans, Herts.
Jones, Neil Booth, A.C.A., a1964; c/o C. & T. Harris (Calne) Ltd, Leeming Bar Factory, Leeming Bar, near Northallerton, Yorks.
Jones, Thomas James, A.C.A., a1964; 88B Lexham Gdns, London W8.
Jordan, David John, B.A., A.C.A., a1964; 'Abberley', Hartley Whitney, Basingstoke.
Jouault, Edward Richard John, A.C.A., a1964; Flat 7A, 'Delmont', Cliff St, Milson's Point, Sydney, New South Wales, Australia.
Joynson, David, A.C.A., a1964; 170 Crook Lane, Wharton, Winsford, Cheshire.
Judd, David Harry, A.C.A., a1964; 1 Jeremy Grove, Solihull, Warwicks.
Justice, William David Alexander, A.C.A., a1964; 85 South Hill Park, London NW3.

Kanaan, Joseph Nagib, A.C.A., a1964; 169 Brondesbury Park, London NW2.
Kauffman, Marcel Albert, A.C.A., a1964; 71 North Side, Clapham Common, London SW4.
Kearne, Raymond Thomas, A.C.A., a1964; 2 The Croft, Kings Bromley, Staffs.
Keefe, Terence Wensley, B.A., A.C.A., a1964; 14 Waterloo Rd, Cricklewood, London NW2.
Kennedy, Francis Keith, B.A.(ECON.), A.C.A., a1964; 26 Gravelly Hill, Erdington, Birmingham 23.
Kennish, Richard William, A.C.A., a1964; 56 Weald View Rd, Tonbridge, Kent.
Kent, John Francis, B.A., A.C.A., a1964; 'Littlehurst', Palace Rd, East Molesey, Surrey.

Kershaw of Prestwich, The Rt Hon. Lord, Edward John, A.C.A., *a*1964; 3 Gables Court, Kingfield Rd, Woking, Surrey.
Khan, Ali Husain, A.C.A., *a*1964; with Messrs Ben. I. Freedman & Co, 7 Cathedral Rd, Cardiff.
Khanna, Pradeep Chand, A.C.A., *a*1964; 8 Arkwright Rd, Hampstead, London NW3.
Khindaria, Vinod Kumar, A.C.A., *a*1964; Dhillon Marg, New Patiala 2, India.
Kiddell, John Edward, A.C.A., *a*1964; 4 York House, York Hill, West Norwood, London SE27.
Kinder, John Russell, B.A., A.C.A., *a*1964; 30 Chatsworth Rd, Brondesbury, London NW2.
King, Alan Christopher Wallis, A.C.A., *a*1964; 'Bankside', Church Rd, Swainsthorpe, Norwich.
King, Stuart Wilfred, A.C.A., *a*1964; 15 Vale Rd, Bournemouth.
Kirpalani, Heeranand Lachiram, B.COM., A.C.A., *a*1964; with Beevers & Adgie, 26 Park Row, Leeds 1.
Knight Jones, Godfrey, A.C.A., *a*1964; 'White Gates', Woodlane, Gedling, Nottingham.
Kutner, Michael, A.C.A., *a*1964; 26 Townsend Ave, Southgate, London N14.

Lacey, Daniel Alfred Charles, A.C.A., *a*1964; 96 Lullington Rd, Dagenham, Essex.
Lall, Dharah Bir, A.C.A., *a*1964; with Peat, Marwick, Mitchell & Co, Windsor House, Temple Row, Birmingham 2.
Lambert, Michael Leonard, A.C.A., *a*1964; Spire Cottage, Nine Ashes Rd, Blackmore, Ingatestone, Essex.
Langridge, Alan Charles, A.C.A., *a*1964; 11 Derek Ave, Wembley, Middx.
Lassman, Jonathan David, A.C.A., *a*1964; 45 Clayton Rd, Jesmond, Newcastle upon Tyne 2.
Laurie, Graham Russell, B.A., A.C.A., *a*1964; 53 Stanhope Gdns, London SW7.
Law, Ian Robert, A.C.A., *a*1964; 52 Sweetcroft Lane, Hillingdon, Middx.
Lawrence, John Frank, A.C.A., *a*1964; 19 Georges Wood Rd, Brookmans Park, Hatfield, Herts.
Lawton, Vernon Charles, A.C.A., *a*1964; 75 Station Rd, Balsall Common, near Coventry.
Layton, Peter Ronald David, A.C.A., *a*1964; 4/4 Northwood Hall, Hornsey Lane, London N6.
Leal, Lloyd Vibart, A.C.A., *a*1964; 98 Belmont St, Chalk Farm, London NW1.
Leaver, Antony Michael, A.C.A., *a*1964; 217 London Rd, Ewell, Surrey.
Lee, Choon Kyung, B.A., A.C.A., *a*1964; 2 Bendall House, Bell St, London NW1.
Lee, John Robert Louis, A.C.A., *a*1964; 55 Framlingham Rd, Sale, Cheshire.
¶§Lefèvre, Oscar Joseph, A.S.A.A., *a*1964; Dove, Cowper & Lefèvre, P.O. Box 2378, Salisbury, S. Rhodesia.
Lehrer, Joseph Ezekiel, M.A., A.C.A., *a*1964: 60 Donnington Rd, London NW10.
Lekhyananda, Suvit, A.C.A., *a*1964; 154 Petchaburi Rd, Bangkok, Thailand.
Le Rossignol, Graeme, A.C.A., *a*1964; 'Lyneham', Rue Des Près, St Clement, Jersey, C.I.
¶Leslie, Richard Stephen, A.C.A., *a*1964; Richard Leslie & Co, 8–9 Great Pulteney St, London W1.
Letham, Ian Ritchie, LL.B., A.C.A., *a*1964; 6 Priory Close, Oldham.
Lewis, Barrington, B.COM., A.C.A., *a*1964; 10 Fisher Place, Cleethorpes, Lincs.
Lewis, Bryan Richard, A.C.A., *a*1964; 3 Kingswood Close, Lapworth, Solihull, Warwicks.
Li, Alan Fook Sum, A.C.A., *a*1964; 45 Island Rd, Deep Water Bay, Hong Kong.
Lipthorpe, Keith, A.C.A., *a*1964; 39 Westfield Ave, Redcar, Yorks.
Lister, John Thomas, A.C.A., *a*1964; 10 Woodland Place, Roath, Cardiff.
Little-Gill, Barrie Edward, A.C.A., *a*1964; 63 George St, Carcroft, near Doncaster.
Livermore, Anthony William, A.C.A., *a*1964; 47 Cool Oak Lane, W. Hendon, London NW9.
Livesey, Ian, B.A.(COM.), A.C.A., *a*1964; 252 Bramhall Lane, Davenport, Stockport.
Lock, Michael Derrick, A.C.A., *a*1964; 128 Northumberland Rd, North Harrow, Middx.
Lomas, Anthony, A.C.A., *a*1964; 41 Macclesfield Rd, Whaley Bridge, Via Stockport.
Lomas, Keith James, A.C.A., *a*1964; 1 St Leonards Gdns, Heston, Hounslow, Middx.
Longland, Joseph Lock, A.C.A., *a*1964; 22 Severn Way, Garston, Watford, Herts.
Lord, Robert Walter, A.C.A., *a*1964; 24 Mapesbury Rd, London NW2.
Luckett, Nigel Frederick, A.C.A., *a*1964; 358 Penn Rd, Penn, Wolverhampton.
Lui, Weng Chiew, B.SC.(ECON.)., A.C.A., *a*1964; 15–17 Smith St, Singapore 1.
Lyon, Iain Grahame, A.C.A., *a*1964; Field House, Upper Broughton, near Melton Mowbray, Leics.

McDonald, Keith Scott, A.C.A., *a*1964; 63 Woodburn Sq., Whitley Bay, Northumberland.
McEwan, Donald, A.C.A., *a*1964; 200 Trewhitt Rd, Heaton, Newcastle upon Tyne 6.
MacInnis, Ian Wallace, A.C.A., *a*1964; 67 Wood Vale, London SE23.
MacKenzie, Alan James, A.C.A., *a*1964; The Malt House, London End, Beaconsfield, Bucks.
Macleod, Hamish Torquil Alexander, A.C.A., *a*1964; 68 Hodford Rd, London NW11.
McPhee, David, A.C.A., *a*1964; The Gables, Thornhill Rd, Benton, Newcastle upon Tyne 12.
Maggs, Colin John Douglas, B.A.(ECON.), A.C.A., *a*1964; 15 Tilehouse Rd, Guildford, Surrey.
Maguire, Patrick, B.SC.(ECON.), A.C.A., *a*1964; Clark House, Chipping, Preston.
Mahamadi, Humayun, A.C.A., *a*1964; 34 Lancaster Close, St Petersburgh Place, London W2.
Maidment, Alan Tom, A.C.A., *a*1964; 58A Kenway Rd, Earl's Court, London SW5.
Malik, Abdur Rashid, A.C.A., *a*1964; 43 Redclyffe Rd, London E6.
Mallinson, Peter Harold, A.C.A., *a*1964; 7 Lacrosse Ave, Oldham.
Mangham, Grant Arthur, B.SC.(ECON.), A.C.A., *a*1964; 'Walardan', Treeton Lane, Aughton, Sheffield.
Manjra, Mohamed Yacoob, A.C.A., *a*1964; with H. W. Vallance Lodge & Co, 746 High Rd, Tottenham, London N17.
Mansell, Christopher Hennah, B.SC.(ECON.), A.C.A., *a*1964; 'Harlequin', Sea Rd, Bexhill-on-Sea, Sussex.
Mansoor, Mohamed Muzzammil, A.C.A., *a*1964; 11 Blake Rd, Colombo, 8, Celyon.
Margeot, Marie Joseph Paul-Guy, B.SC.(ECON.), A.C.A., *a*1964; 93 Beauval Rd, Dulwich, London SE22.
Marginson, Thomas Butterfield, A.C.A., *a*1964; Pool House Farm, Weston Jones, Newport, Salop.
Marsh, Michael John, B.SC.(ECON)., A.C.A., *a*1964; 31 Ankerdine Crescent, Woolwich, London SE18.
Marsh, Michael Robin Lewis, B.A., A.C.A., *a*1964; 18A Langham Mansions, Earl's Court Sq., London SW5.
Marshall, Ivan, A.C.A., *a*1964; Luttongate Rd, Gedney Hill, Spalding, Lincs.
Marshall, Richard Derrick, A.C.A., *a*1964; 47 Runnymede Rd, Ponteland, Newcastle upon Tyne.
Martin, Keith Christopher, A.C.A., *a*1964; 402 Bushey Mill Lane, Bushey, Herts.
Martin, Peter Harold, B.A., A.C.A., *a*1964; 60 Leigh Gdns, Kensal Rise, London NW10.
Martin, Stephen, B.A., A.C.A., *a*1964; Meadow Croft, Westfield Park, Elloughton, Brough, E. Yorks.
§Martindale, William George, A.S.A.A., *a*1964; 25 Kent Drive, Cockfosters, Barnet, Herts.
Masini, Charles Alfred, A.C.A., *a*1964; 17 Grove Park Gdns, Chiswick, London W4.

Mason, Roy, A.C.A., *a*1964; 12 Ivanhoe St, Scotts Green, Dudley, Worcs.
Masters, David, A.C.A., *a*1964; Warren Cottage, Hayes, near Bromley, Kent.
Matchan, Peter Leonard Davis, B.SC., A.C.A., *a*1964; 230 Havant Rd, North Hayling, Hants.
Matravers, John Clifford Downton, A.C.A., *a*1964; Drakes Farm, Ilton, Ilminster, Somerset.
Matterman, Cyril, A.C.A., *a*1964; 30 Parkthorne Rd, Clapham Park, London SW12.
Matthews, Geoffrey Francis Howard, B.SC.(ECON.), A.C.A., *a*1964; 17 Bloomfield Rd, Highgate, London N6.
Matthews, Lester, A.C.A., *a*1964; 13 Lon Coed Parc, Sketty, Swansea.
Maughan, Christopher John Spibey, A.C.A., *a*1964; 182 Station Rd, Wylde Green, Sutton Coldfield, Warwicks.
Meadowcroft, John, A.C.A., *a*1964; South Corner, Darcy Close, Hutton, Brentwood, Essex.
Meakin, John David, B.A., A.C.A., *a*1964; Blatchington Lodge, Firle Rd, Seaford, Sussex.
Meredith, Christopher Thomas Arthur, A.C.A., *a*1964; School House, Trysill, Wolverhampton.
Merle, Gerard Daniel, A.C.A., *a*1964; 30 Rue de Bassano, Paris 16e.
Merrey, Anthony John, A.C.A., *a*1964; 18 Lincoln Rd, St James End, Northampton.
Michael, Peter Verney, A.C.A., *a*1964; 64 Bryanston Rd, Solihull, Warwicks.
Michie, Brian, A.C.A., *a*1964; 729 Abbeydale Rd, Sheffield 7.
Middle, Rodney Ernest, A.C.A., *a*1964; 217 Dorchester Rd, Weymouth, Dorset.
Middleton, Martin John, A.C.A., *a*1964; 161A South Rd, Hailsham, Sussex.
Millar, Anthony Bruce, A.C.A., *a*1964; 11 Fairholme Rd, London W14.
Millard, John Richard, A.C.A., *a*1964; 48 Castlemain Ave, Croydon, Surrey.
Miller, Bernard Victor, A.C.A., *a*1964; 44 Foxton Rd, Hoddesdon, Herts.
Miller, Peter George Graham, B.A.(ECON.), A.C.A., *a*1964; 53 Hova Villas, Hove 3.
Mills, Richard Morrell, A.C.A., *a*1964; 21 Compton Rd, Colchester, Essex.
Mitcham, Arthur John, A.C.A., *a*1964; 7 Redmoor Terrace, Sybil Rd, Wisbech, Cambs.
Mitchelmore, John Robin James, A.C.A., *a*1964; 2 Queen's Way, Banbury, Oxon.
Moir, Ewen Main, B.A., A.C.A., *a*1964; 12 Stone Cross Rd, Wadhurst, Sussex.
Monaghan, John Fergus, A.C.A., *a*1964; 'Red Gables', Coopers Hill, Englefield Green, Surrey.
Moorcroft, (Miss) Marguerita, A.C.A., *a*1964; 41 Boscombe St, London NW1.
Moore, Peter Murray, A.C.A., *a*1964; 15 Farley Rd, Derby.
Moorhouse, David, A.C.A., *a*1964; 17 Hawkswood Ave, Heaton, Bradford 9.
Moran, Brian William, A.C.A., *a*1964; 45 Stanton St, Newcastle upon Tyne 4.
Morant, William Andrew, A.C.A., *a*1964; 'Roughover', Worplesdon Hill, Woking, Surrey.
Morcher, Christopher John, B.A., A.C.A., *a*1964; 144 Seafield Rd, Southbourne, Bournemouth.
Morgan, William Eric Keith, A.C.A., *a*1964; 21 Church Way, Sanderstead, Surrey.
Morison, Andrew Gordon, A.C.A., *a*1964; 20 Cedar Rd, Sutton, Surrey.
Morrell, John Charles, A.C.A., *a*1964; 69 Twyford Ave, East Finchley, London N2.
Morrell, Peter Henry, A.C.A., *a*1964; 69 High Rd, Bushey Heath, Herts.
Morris, Richard Colin, B.A., A.C.A., *a*1964; 11 Egerton Rd, Queen's Park, Bournemouth.
Morton, Arthur Leonard, A.C.A., *a*1964; 105 Mount Pleasant Lane, Bricket Wood, near Watford, Herts.
Mossford, Anthony Clive Errol, B.A., A.C.A., *a*1964; Millbank House, Dinas Powis, Glam.
Murphy, David Neil, A.C.A., *a*1964; 40 Outwoods Rd, Loughborough, Leics.
Murray, Kevin William, B.A., A.C.A., *a*1964; 10 Mayo Rd, Sherwood Rise, Nottingham.

Nanda, Shiv Parkash, A.C.A., *a*1964; 55 Greencroft Gdns, London NW6.
Neal, Trevor Horace, A.C.A., *a*1964; 45 Balsall Street East, Balsall Common, Coventry.
Neale, Michael Frank, B.A., A.C.A., *a*1964; 21C Llanover Rd, Wembley, Middx.
Neil, John Alister, A.C.A., *a*1964; 18 Upland Drive, Brookmans Park, Hatfield, Herts.
Nellist, Robert Hentry Harger, B.A., A.C.A., *a*1964; 156 Earl's Court Rd, London SW5.
Nelson, Walter John, A.C.A., *a*1964; 81 Celt St, West Derby Rd, Liverpool 6.
Nerurker, Vijoy Ganpat, A.C.A., *a*1964; 19 Heybridge Ave, Streatham, London SW16.
Neufeld, Victor Joseph, A.C.A., *a*1964; 63 Darville Rd, London N16.
Newland, Paul, A.C.A., *a*1964; 14 Leeds Rd, Barwick-in-Elmet, near Leeds.
Newman, Jack Michael, A.C.A., *a*1964; 43 St Margarets Rd, Edgware, Middx.
Nicholas, Michael Rees, A.C.A., *a*1964; 13 Church Rd, Penarth, Glam.
Nichols, Brian Frederick, A.C.A., *a*1964; 7A Swiss Farm, Marlow Rd, Henley-on-Thames, Oxon.
Nichols, Michael David, A.C.A., *a*1964; 30 Hartington Rd, High Lane, Stockport.
Nock, Laurence, A.C.A., *a*1964; 31 Park Road West, Wollaston, Stourbridge, Worcs.
Norris, Kenneth James, LL.B., A.C.A., *a*1964; 15 Greenways, Standish, Wigan.
Norton, Ivor Bertram, A.C.A., *a*1964; 8 Crompton Rd, Tipton, Staffs.
Norton, John Charles, B.A., A.C.A., *a*1964; 89 Effra Rd, Wimbledon, London SW19.

Oakley, Edward Robert, A.C.A., *a*1964; 2 Beechcroft Mansions, Shrubbery Rd, Weston-super-Mare.
Oakley, William Morrell, B.A., A.C.A., *a*1964; 4 Kempson Ave, Wylde Green, Sutton Coldfield, Warwicks.
O'Farrell, Nicholas Patrick, B.A., A.C.A., *a*1964; 58 St George's Drive, London SW1.
Ogboye, Babalola Durojaiye Adisa, B.SC.(ECON.), A.C.A., *a*1964; 223 Fulbourne Rd, Walthamstow, London E17.
Okoye, Dennis Obi, A.C.A., *a*1964; with Russell, Ohly & Co, 94 Church Rd, Hove 3.
Oliver, Graham Stewart, A.C.A., *a*1964; 152 Newton Rd, Great Barr, Birmingham 22A.
Ormond, Julian Patrick Selby, B.A., A.C.A., *a*1964; High Beeches, Wendens Ambo, Saffron Walden, Essex.
Orttewell, Alexander Frank, A.C.A., *a*1964; 20 Westgate Terrace, London SW10.
O'Sullivan, Kevin Clive, A.C.A., *a*1964; 1 Egremont Rd, Pewylan, Cardiff.
Oury, Richard Anthony, A.C.A., *a*1964; 'Eastfield', Packhorse Rd, Gerrards Cross, Bucks.
Owen, Eric Thomas, A.C.A., *a*1964; 'Drinton', Gayton Rd, Lower Heswall, Wirral, Cheshire.

Pack, John Walter, B.A., A.C.A., *a*1964; 44 Church Hill Rd, East Barnet, Herts.
Page, Terence Robert, A.C.A., *a*1964; 23 Hilary Ave, East Cosham, Portsmouth.
Pal, Prosanto Ramon, A.C.A., *a*1964; 3 Hocroft Court, Hendon Way, London NW2.
Palfreyman, Donald Edward, A.C.A., *a*1964; 68 Hunters Rd, Handsworth, Birmingham 19.
Palmer, John Albert, A.C.A., *a*1964; 56 Kempe Rd, Enfield, Middx.
Papworth, Graham Charles, A.C.A., *a*1964; 5 The Dell, Woodford Wells, Essex.
Parker, David Roy, B.A., A.C.A., *a*1964; 3 New Rd, Woolmer Green, Knebworth, Herts.

Parker, Thomas Richard Nigel, A.C.A., a1964; Haven Cottage, Tedburn St Mary, Devon.
Parkin, Terence Rowland, B.COM., A.C.A., a1964; 34 Amanda Drive, Hatfield, near Doncaster.
Parry, Keith Frowen, A.C.A., a1964; 10 Chatsworth Close, Broadgate, Almondbury, Huddersfield.
Parry, Robert Griffith Pennant, A.C.A., a1964; Plastirion, Pwllheli, Caerns.
Paul, Charles David, A.C.A., a1964; 39 Arnold House, Doddington Grove, London SE17.
Pavey, Keith, A.C.A., a1964; 'Springclose', Warrens Hill, Cheddar, Somerset.
Pavey, Keith Henry, A.C.A., a1964; 22 The Avenue, Gravesend, Kent.
Payne, Terence, A.C.A., a1964; 165 Allaway Ave, Paulsgrove, Portsmouth.
Pearce, David Geoffrey, A.C.A., a1964; 'Hollycroft', Cookham Dean, Berks.
Pearce, Eric James, A.C.A., a1964; 50 King George Close, Bromsgrove, Worcs.
Pears, Edmund Richard William Warry, A.C.A., a1964; Peverells Hall, Glemsford, Suffolk.
Pearson, Iain Norman Gray, A.C.A., a1964; 30 York Court The Albany, Kingston upon Thames, Surrey.
Peat, Robert, A.C.A., a1964; 81 Campden St, Campden Hill, London W8.
Peers, Donald Leslie, B.A.(COM.), A.C.A., a1964; 9 Eastbourne Rd, Aintree, Liverpool 9.
Peirson, John Jeremy, A.C.A., a1964; 'Lovell Dean', Copthorne Bank, Sussex.
Percival, Peter William Scott, B.A., A.C.A., a1964; 'My House', Herbert Rd, Fleet, Hants.
Perkins, Christopher Charles, A.C.A., a1964; Leigh Lodge, Abbots Leigh, Bristol.
Perkins, David Herbert, B.A., A.C.A., a1964; 12 Birdwood Rd, Cambridge.
Perrott, Graham Laurence, B.A.(ECON.), A.C.A., a1964; 5 Berkeley Ave, Chesham, Bucks.
Perry, Lionel George Raymond, A.C.A., a1964; 23 Arcadia Ave, Brooklands, Sale, Cheshire.
Perry, Nigel Ronald, B.COM., A.C.A., a1964; 137A Vicarage Rd, Wollaston, Stourbridge, Worcs.
Philpin, Monty Joseph Thomas, A.C.A., a1964; 97 Pembroke Rd, Haverfordwest, Pembs.
Picot, Rodney, Alexander, A.C.A., a1964; with Messrs Alex Picot & Co, Trinity Chmbrs, 26 Hill St, St Helier, Jersey, C.I.
Pierce Grove, Antony Terence, A.C.A., a1964; Rowners, Fleet, Hants.
Pilbrow, Michael Eric, A.C.A., a1964; 7 Overhill Way, Beckenham, Kent.
Pilch, Hugo Sutherland, A.C.A., a1964; 124 Rivermead Court, London SW6.
Pilcher, David Richard, A.C.A., a1964; 20 Widecombe Way, London N2.
Piper, Colin Edward John, A.C.A., a1964; 98 Sandford St, Exeter, Devon.
Pitchford, Geoffrey, A.C.A., a1964; 15 View Rd, Keighley, Yorks.
Pitt, Bernard Joseph, A.C.A., a1964; 8 Ovesdon Ave, Harrow, Middx.
Pittock, John, A.C.A., a1964; The Limes, Bute Rd, Wallington, Surrey.
Pledger, Nigel George, A.C.A., a1964; 6 Tennis Court Rd, Cambridge.
Pollex, Anthony John, A.C.A., a1964; 151 Brookdale Ave, Greasby, Upton, Wirral, Cheshire.
Poole, John Colin, A.C.A, a1964; 7 Hewitt Crescent, Parkhurst, I.W.
Poole, Raymond Edward, A.C.A., a1964; with Rawlinson & Hunter, 51 Green St, London W1.
Pope, Brian Henry, B.SC.(ECON.), A.C.A., a1964; 18 Stapleton Court, Bognor Regis, Sussex.
Porter, Kenneth Michael Lachlan, A.C.A., a1964; Tempe, Woodbridge, Suffolk.
Potter, Kenneth Harold, A.C.A., a1964; 74 Fouracres, Enfield, Middx.
Potts, David, A.C.A., a1964; 95 Bamborough Terrace, North Shields, Northumberland.
Powell, Richard Alfred, A.C.A., a1964; Flat 5, Berkeley House, Charlotte St, Bristol 1.
Powell, Valentine Anthony Lewis, A.C.A., a1964; Waterside Cottage, Micheldever, near Winchester, Hants.
Power, Alfred Michael David, A.C.A., a1964; 70 Highlands Heath, Portsmouth Rd, Putney, London SW15.
Prescott, Charles Russell, A.C.A., a1964; 'Glindon', Oakley Rd, Bromley, Kent.
Preston, Christopher Trafford, A.C.A., a1964; 14 Ormerod Rd, Stoke Bishop, Bristol 9.
Preston, David Arthur, B.SC.(ECON.), A.C.A., a1964; 56 Templecombe Way, Morden, Surrey.
Price, David Stewart, M.A., A.C.A., a1964; 13 Fisher Ave, Rugby.
Price, John, B.A.(COM.), A.C.A., a1964; 388 Bromsgrove Rd, Hunnington, Halesowen, Birmingham.
Priestly, John Philip, B.A., A.C.A., a1964; 112 Ormond Court, Upper Richmond Rd, Putney, London SW15.
Primrose, Simpson Ure, A.C.A., a1964; 12 Humphrey Burton's Rd, Coventry.

Quigley, Paul Kevin, A.C.A., a1964; 32 Rivington Rd, Hale, Cheshire.

Rabin, (Mrs) Hilary Josephine, A.C.A., a1964; 29 Lodge Ave, Elstree, Herts.
Radcliffe, Robert Charles, A.C.A., a1964; with Kemp, Chatteris & Co, Bucklersbury House, London EC4.
Ralls, Malcolm Harry, A.C.A., a1964; 146 Talbot Rd, Southsea, Hants.
Rawlings, Christopher Hugh, A.C.A., a1964; Lesser Foxholes, Old Shoreham, Sussex.
Ray, Kenneth Charles, A.C.A., a1964; 19 Ashtree Bank, Brereton, near Rugeley, Staffs.
Ray, Terence, A.C.A., a1964; 3 Harringay Rd, Kingstanding, Birmingham 22C.
Raymond, William George, A.C.A., a1964; 4 Darnley Drive, Southborough, Tunbridge Wells, Kent.
Rayner, Robert Elliott Chambers, A.C.A., a1964; 103 Shilton Rd, Barwell, near Leicester
Readman, Frank, A.C.A., a1964; 278 Robin Hood Lane, Hall Green, Birmingham 28.
Redmayne, Harold Derek, M.A., A.C.A., a1964; 12 Old Hall Drive, Mapperley Park, Nottingham.
Reveres, Michael Brian, A.C.A., a1964; 15 Fairholt Rd, Stoke Newington, London N16.
Rhys, Owen Mark Lewellin, A.C.A., a1964; Andwell Mill, Basingstoke, Hants.
Richardson, Michael Charles, A.C.A., a1964; Cleverleys Farm, West Meon, Hants.
Rider, Timothy John, A.C.A., a1964; 'Thanesacre', Abbotts Rd, Winchester, Hants.
Rigby, Graham Lakin, A.C.A., a1964; 2 Gunning Close, Eccleston, St Helens, Lancs.
Riley, Dennis McWilliams, A.C.A., a1964; 9 Newtown Ave, Stockton-on-Tees.
Rimmer, Christopher Alban, A.C.A., a1964; 7 Gainsborough Mansions, Queen's Club Gdns, London W14.
Rix, Eric Rodway, B.A., A.C.A., a1964; Fenstanton, Chilbolton, Stockbridge, Hants.
Roberts, Anthony John, A.C.A., a1964; 28 Lucastes Lane, Haywards Heath, Sussex.
Roberts, George David, A.C.A., a1964; 7 Birch Grove, Mayo Ave, Bradford 5.
Roberts, John Anthony, A.C.A., a1964; Bramhope Manor, Bramhope, near Leeds.
Roberts, Martin Roderick, A.C.A., a1964; 'Temperley', Cobbetts Hill, Weybridge, Surrey.
Roberts, Paul Barry, A.C.A., a1964; 3 Hitchin Rd, Kimpton near Hitchin, Herts.
Roberts, William Frederick Anthony, A.C.A., a1964; 75 Howard Rd, Sompting, Lancing, Sussex.
Robinson, Anthony, A.C.A., a1964; 59 Balfour Rd, Preston.

Robinson, Anthony James, B.A.(COM.), A.C.A., a1964; 3 Napier Rd, Heaton Moor, Stockport.
Robinson, Graham Peter, A.C.A., a1964; 89 Flemming Ave, Leigh-on-Sea, Essex.
Roddy, John Keith, A.C.A., a1964; 70 Scholes St, Bury.
Rogers, Michael John, A.C.A., a1964; 27 Warwick Chmbrs, Pater St, London W8.
Rogers, Stephen James, A.C.A., a1964; 57 St Benedict Crescent, Heath, Cardiff.
Rose, Michael Richard, A.C.A., a1964; 1 Rosemary Drive, Bangor, Co. Down, N. Ireland.
Ross, William, A.C.A., a1964; 'Ringway', Trout Rise, Loudwater, Rickmansworth, Herts.
Rowell, Jack, M.A., A.C.A., a1964; 164 Oxford Rd, Middlesbrough.
Rudge, Stanley Bickerton, A.C.A., a1964; with Messrs Turquand, Youngs & Co, Monte Esquinza 23, Madrid 4, Spain.
Rushton, Ronald Frederick, A.C.A., a1964; 5 Lismore Ave, Cheadle Heath, Stockport.
Russell, James Frederick, A.C.A., a1964; 11 Overdale Rd, Derby.
Russell, Valentine Francis-Xavier Michael, B.A., A.C.A., a1964; Brook House, Storrington, Sussex.
Russell-Davis, Nicholas Graham Arnould, A.C.A., a1964; Whitecross, Coombe Hill, E. Grinstead, Sussex.

Saberski, Michael, A.C.A., a1964; 101 Bethune Rd, London N16.
Sadler, Christopher Scott, A.C.A., a1964; with Pannell Fitzpatrick Graham & Crewdson, Lee House, London Wall, London EC2.
Saeed, Khalid, A.C.A., a1964; 17 Hornton St, London W8.
Saunders, Michael Ernest, B.A., A.C.A., a1964; 25 St Edmunds Rd, Ipswich.
Saville, Selwyn Michael, LL.B., A.C.A., a1964; Flat 3, 'Whinbrook', 37 King Lane, Leeds 17.
Scales, William Peter Johnston, A.C.A., a1964; The Shielings, Harts Lane, Burghclere, Newbury, Berks.
Scheele, Adrian Christopher, A.C.A., a1964; 27 Priests Lane, Shenfield, Essex.
Scheiner, Michael, B.SC.(ECON)., A.C.A., a1964; 34 Brampton Grove, London NW4.
Schiller, Edwin Harvey, A.C.A., a1964; 186 Street Lane, Leeds 8.
Scorer, Bernard Robert Ian, A.C.A., a1964; 9 Chantry Rd, Moseley, Birmingham 13.
Scott, Alan Keith Harrison, B.A., A.C.A., a1964; c/o Mrs McAulay, 36 Burma Rd, Stoke Newington, London N16.
Scott, Anthony Arnold Lennard, A.C.A., a1964; 47 Brock St, Macclesfield.
Scott, John William Arthur, A.C.A., a1964; 30 Chester Rd, Northwood, Middx.
Scott, Malcolm, LL.B., A.C.A., a1964; 5 Woodhouse Close, East Ardsley, near Wakefield.
Scrutton, Hugh Geoffrey, A.C.A., a1964; The Dower House, Daglingworth, Cirencester, Glos.
Scutt, Brian Percy Hugh, B.SC.(ECON.), A.C.A., a1964; 37 Northolme Rd, London N5.
Seal, Graham Arthur, A.C.A., a1964; 30 Littlemead Rd, Shirley, Solihull, Warwicks.
Searle, Derek Christopher, B.SC.(ECON.), A.C.A., a1964; 14 The Mount, Malton, Yorks.
Serkin, Stanley, A.C.A., a1964; 27 Brookscroft Rd, Walthamstow, London E17.
Seymour, Clive Howard, A.C.A., a1964; c/o Apaseal Ltd, Bowes House, Hailsham, Sussex.
Shah, Shujaul Bakht, A.C.A., a1964; 9 Lytton Close, Hampstead Garden Suburb, London N2.
Sharrott, Richard Frank, A.C.A., a1964; 34 Hill Top, Baddesley Ensor, near Atherstone, Warwicks.
Shenoy, Arun Michael, A.C.A., a1964; 14 Goldhurst Terrace, London NW6.
Shepherd, Roger Edward, B.SC.(ECON.), A.C.A., a1964; 160 Rochdale Rd, Shaw, near Oldham.
Sheppard, Garth Stephen, A.C.A., a1964; 7 Groby Court, Groby Rd, Altrincham, Cheshire.
Shirley, Martin John, A.C.A., a1964; Post Office, Bridge, Canterbury, Kent.
Shute, Kenneth Telford, A.C.A., a1964; 27 Ranelagh Grove, London SW1.
Silk, Derek John, A.C.A., a1964; 65 Douglas Ave, Birmingham 34.
Silverbeck, Michael Harrison, B.A.(ECON.), A.C.A., a1964; 202 Queens Drive, Wavertree, Liverpool 15.
Simon, Christopher Michael Alister, A.C.A., a1964; Bell Cottage, Fairmile Park Rd, Cobham, Surrey.
Sinker, David Tennant, B.A., A.C.A., a1964; Merton Cottage, Queen's Rd, Cambridge.
Sivayogan, Sivasubramanian, A.C.A., a1964; 2 Henville Rd, Bromley, Kent.
Slatter, David Martin, A.C.A., a1964; 132 Greencroft Gdns, London NW6.
Smith, Andrew Frazer, A.C.A., a1964; 42 Wilmington Close, Hassocks, Sussex.
Smith, Charles John Wolstenholme, A.C.A., a1964; 102 Lillington Rd, Leamington Spa, Warwicks.
Smith, David Henry, A.C.A., a1964; 27 Brow Wood Rd, Shelf, near Halifax.
Smith, David Ralph, B.COM., A.C.A., a1964; The Cottage, The Avenue, Collingham, Wetherby, Yorks.
Smith, David Terence, A.C.A., a1964; 20 Tamworth Rd, Amington, near Tamworth, Staffs.
Smith, Graham Frederick, A.C.A., a1964; 47 Green Rd, Terriers, High Wycombe, Bucks.
Smith, John Leslie, A.C.A., a1964; Flawforth Lodge, Ruddington, Notts.
Smith, Michael David Eldridge, A.C.A., a1964; 50 Northey Ave, Cheam, Surrey.
Smith, Michael John, B.A.(COM.), A.C.A., a1964; 367 Barnsley Road, Sheffield 5.
Smith, Terence Harold, A.C.A., a1964; 171 Trevor Drive, Maidstone, Kent.
Sode, Afolabi Babajide Olayiwola, B.A.(COM.), A.C.A., a1964; 139 Brickfield Rd, Ebute-Metta, Nigeria.
§Sood, Mohinder Pal Roshanlal, A.S.A.A., a1964; c/o Exchequer and Audit Department, P.O. Box 30084, Nairobi, Kenya.
Sorene, Lawrence Malcolm, A.C.A., a1964; 35 Renters Ave, Hendon, London NW4.
Spencer, Michael George, B.COM., A.C.A., a1964; 3 Forest Court, Tollemache Road, Claughton, Wirral, Cheshire.
Stafford, Michael Wesley, A.C.A., a1964; with Edward Myers, Clark, Eckersley & Co, Awdry House, 11 Kingsway, London WC2.
Stanley, Michael Patrick, A.C.A., a1964; Little Chess House, Stubbs Wood, Chesham Bois, Bucks.
Steel, Donald Matthew, A.C.A., a1964; 44 Lowndes St, London SW1.
Steele, Alan, A.C.A., a1964; 79 Corisande Rd, Selly Oak, Birmingham 29.
Steele, David Roger, A.C.A., a1964; 161 Purley Downs Rd, Sanderstead, Surrey.
Stekel, Ronald, A.C.A., a1964; 69 Highfield Gdns, London NW11.
Stenner, Charles, A.C.A., a1964; 6 Upstall St, Myatts Park, Camberwell, London SE5.
Stephenson, Colin Edward, A.C.A., a1964; 6 Woburn Place, Mansfield, Notts.
Stephenson, Peter, A.C.A., a1964; 242 Dallow Rd, Luton, Beds.
Stevenson, Christopher Burnett, A.C.A., a1964; 11 Talbot House, 98 St Martin's Lane, London WC2.
Stewart, Terence Martyn, A.C.A., a1964; 55 Springleaze, Knowle, Bristol 4.
Stilgoe, Charles Robin John, A.C.A., a1964; 1 Mossley Hill Drive, Liverpool 17.
Stockdale, Frederick Leslie, A.C.A., a1964; 6 Camden Sq., Seaham, Co. Durham.
Stockley, Anthony John, A.C.A., a1964; 6 Hobart Rd, Worcester Park, Surrey.
Stocks, Peter Arthur David, A.C.A., a1964; 96 Reddings Lane, Tyseley, Birmingham 11.

Stroud, David MacDonald, A.C.A., a1964; 9 Hazeldene Court, Valley Rd, Kenley, Surrey.
Strowger, Clive, A.C.A., a1964; 27 Beech Hill Ave, Hadley Wood, Barnet, Herts.
Stubbs, Colin Anthony, B.COM., A.C.A., a1964; 230 Headstone Lane, Harrow, Middx.
Sturman, Keith, A.C.A., a1964; 86 Portland Ave, New Malden, Surrey.
Swinburne, Geoffrey Browne, A.C.A., a1964; 52 Plantation Drive, North Ferriby, E. Yorks.

Tan, Buck Kin, A.C.A., a1964; 12 Chuan Hoe Ave, Singapore 19.
Tandy, Michael John, A.C.A., a1964; Summerhill Cottage, Summerhill, Kingswinford, near Brierley Hill, Staffs.
Tann, Richard Walter, B.A., A.C.A., a1964; Kingston House, Fairland Street, Wymondham, Norfolk.
Tattersall, John Neville, A.C.A., a1964; 65 Forest Rd, Dalton, Huddersfield.
Taylor, Edwin, A.C.A., a1964; 'Ardtornish'. Barbers Lane, Antrobus, near Northwich, Cheshire.
Taylor, Ian Leslie, A.C.A, a1964; 10 Pembroke Close, Sunninghill, Ascot, Berks.
Taylor, John Harvey, A.C.A., a1964; 52 Jubilee Place, Chelsea, London SW3.
Taylor, Michael Andrew James, A.C.A., a1964; 89 Smithhills Dean Rd, Bolton.
Thomas, David Philip Glyn, A.C.A, a1964; Little Meadow, Mill Rd, Llanishen, Cardiff.
Thomas, Gordon Scott, LL.B., A.C.A., a1964; 17 Beverley Gdns, Cullercoats, North Shields.
Thomas, Richard Anthony Harries, B.A.(ECON.), A.C.A., a1964; 'Woodlands', The Glen, Saltford, near Bristol.
Thomason, Francis Richard, A.C.A., a1964; 28 Grammar School Rd, Lymm, Cheshire.
Thompson, Brian Parker, A.C.A., a1964; 171 Grange Rd, Letchworth, Herts.
Thompson, David Anthony Roland, A.C.A., a1964; 193 Newton Rd, Burton upon Trent.
Thorpe, Nicholas Bryce Hugh, A.C.A., a1964; 31 Hesketh Rd, Southport.
Thoyts, Robert David William, A.C.A., a1964; 15 Inglis Rd, Ealing, London W5.
Thraves, Alan, A.C.A., a1964; 'Peasholm', Cathedral View Estate, Cherry Willingham, Lincoln.
Tilbrook, John Jeremy, A.C.A., a1964; Church Farm, Hardley, Norwich, Norfolk, Nor19W.
Tilney, Robin Stenhouse, A.C.A., a1964; c/o Barclays Bank Ltd, 5 Oxford St, London W1.
Tongue, Clive Edwin, A.C.A., a1964; 22 High St, Langley, Oldbury, Worcs.
Towle, John Christopher, B.COM., A.C.A., a1964; Flat 5, 38 Palatine Rd, Manchester 20.
Tozer, David Lawrence, B.A., A.C.A., a1964; 112 Ormonde Court, Upper Richmond Rd, Putney, London SW15.
Tripp, Dennis Pearson, M.C., A.C.A., a1964; 187A Maldon Rd, Colchester, Essex.
Trotman, Anthony John, A.C.A., a1964; 18 Westbury Court, Nightingale Lane, London SW4.
Trotman, Paul Stanley, A.C.A., a1964; with Touche, Ross, Bailey & Smart, 3 London Wall Buildings, London EC2.
Tucker, Roy Clifford, A.C.A., a1964; 9 West Drive, Cheam, Surrey.
Turner, Christopher William, B.COM., A.C.A., a1964; Long Lane Close, Ackworth, near Pontefract, Yorks.
Turner, John Brand, A.C.A., a1964; 41 Evington Drive, Leicester.
Turner, Peter Michael, A.C.A., a1964; 41 Hazelheads, Baildon, Shipley, Yorks.
Tye, Jeffrey Charles Joseph, A.C.A., a1964; 27 Strathaven Rd, Lee, London SE12.
Unsworth, Peter Maurice, B.COM., A.C.A., a1964; Niesen, Redstone Close, Great Meols, Wirral, Cheshire.
Usher, Leonard Anthony, A.C.A., a1964; 140 Marks Rd, Romford, Essex.
Usher, William Ernest Broadbent, M.A., A.C.A., a1964; 11 Callcott St, London W8.
Varlow, Rodney Norton, A.C.A., a1964; c/o 66 Swan Bank, Penn, Wolverhampton.
Vevers, Wilfred Peter, A.C.A., a1964; 'Devencot', Cookham, Dean, Berks.
Villa, Charles Peter Wolferstan, A.C.A., a1964; 'Holmlea', Grove Rd, Tring, Herts.

Waddington, John Philip, M.A., A.C.A., a1964; 52 Caroline House, London W2.
Wainwright, Jeremy Anthony William Piers, A.C.A., a1964; 11 Beckenham Rd, Beckenham, Kent.
Wakefield, James Michael, A.C.A., a1964; Bowling Green Cottage, Frimley Green Rd, Frimley Green, Aldershot, Hants.
Walker, Duncan Huson, M.A., A.C.A., a1964; 12 Radnor Park Ave, Folkestone, Kent.
Walker, (Miss) Janet May, A.C.A., a1964; 8 Market Place, Howden, near Goole, Yorks.
Walker, Sandy Piers, A.C.A., a1964; c/o Castle & Co Ltd, 37 Albert Embankment, London SE1.
Walls, Roger James, B.A., A.C.A., a1964; 976 Old Lode Lane, Solihull, Warwicks.
Walters, Richard Charles de Lancy, A.C.A., a1964; Moyses, Five Ashes, Sussex.
Warburton, John Keith, A.C.A., a1964; 14 Waindale Close, Mount Tabor, Halifax.
Ward, Brian James, A.C.A., a1964; 14 Aylett Rd, South Norwood, London SE25.
Ward, Charles John Nicholas, A.C.A., a1964; 46 Warwick Sq., London SW1.
Ward, Charles Roger Portway, A.C.A., a1964; 7 Meadow Way, Farnborough Park, Orpington, Kent.
Ward, David Lumley, A.C.A., a1964; 20 Donnington Rd, Lidden, Penzance, Cornwall.
Ward, Michael Thomas, A.C.A., a1964; 4 Salisbury House, Church Rd, Birmingham 24.
Ward, Nicholas Desmond Charles, A.C.A., a1964; 22 The Chase, London SW4.
Warner, William Anthony, B.COM., A.C.A., a1964; Moor View, Ralph Rd, Staveley, Chesterfield.
Warrington, Richard Garsed, B.A., A.C.A., a1964; 11 Park Drive South, Huddersfield.
Waslidge, Brian Ernest, A.C.A., a1964; 37 Avondale Rd, Rotherham.
Wass, Michael Hall, M.A., A.C.A., a1964; 18 Kensington Mansions, London SW5.
Watkins, Martin Stuart, A.C.A., a1964; 76 St Michael's Rd, Coventry.
Watson, Ian Roland, A.C.A., a1964; 42 Seven Acres Lane, Norden, Rochdale.
Watson, Jeffrey Paul, A.C.A., a1964; 35A Pasley St, Stoke, Plymouth.
Watson, Ronald Norman Stewart, A.C.A., a1964; 24 St James' Close, Preston Plucknett, Yeovil, Somerset.
Watson, William Wilson, B.A., A.C.A., a1964; 1 Vicarage Crescent, Kidderminster, Worcs.
¶Watts, Ronald Anthony, A.C.A., a1964; R. A. Watts & Co, 37 Barchester Rd, Harrow Weald, Middx.
Welch, John David, A.C.A., a1964; with F. J. Clarke & Co, Oriental Chmbrs, Station Rd, Doncaster.
West, Peter Edgar James, A.C.A., a1964; 60 Granby Grove, Highfield, Southampton.
Westall, Derek Graham, A.C.A., a1964; 436 Hinckley Rd, Leicester.
Wheeler, Nicholas Derek, B.A., A.C.A., a1964; The Elms, Charterhouse Rd, Godalming, Surrey.
Whitaker, Barry Carnaby, A.C.A., a1964; Tilford House, Tilford, Farnham, Surrey.
White, Christopher Peter Albert, B.A., A.C.A., a1964; 74 North Rd, St Andrews, Bristol 6.
White, Malcolm St John, A.C.A., a1964; 'The Chimes', York Rd, Wollaston, near Wellingborough, Northants.
White, William Michael, A.C.A., a1964; 214 Cavendish Ave, Ealing, London W13.
Whitehead, Roger, A.C.A., a1964; 22 Rochester Rd, Lodge Moor, Sheffield 10.

Whittingham-Jones, William Martin, A.C.A., *a*1964; 4 Pine Way, Heswall, Wirral, Cheshire.
Whittington, Christopher Mark John, B.A., A.C.A., *a*1964; Bere Lodge, Westbere, near Canterbury, Kent.
Whowell, Robert Harold, A.C.A., *a*1964; 137A Station Rd, Cropston, Leics.
Wickham, Barry Edward, A.C.A., *a*1964; 41 Glebelands, Crayford, Kent.
Wickham, George William, A.C.A., *a*1964; 40 Paines Lane, Pinner, Middx.
Wilcox, Simon Gordon, A.C.A., *a*1964; 79 High Street, Henley-in-Arden, near Solihull, Warwicks.
Wild, James Anthony, A.C.A., *a*1964; 8 Moorway, Hawkshaw, via Bury.
Wilders, David Thomas, A.C.A., *a*1964; 4 Elm Grove, Erith, Kent.
Wilkinson, John Raymond, A.C.A., *a*1964; 263 Chester Rd, Macclesfield.
Wilkinson, Peter, LL.B., A.C.A., *a*1964; 57 Painswick Rd, Hall Green, Birmingham 28.
Willey, Michael, A.C.A., *a*1964; 68 Basford St, Sheffield 9.
Williams, Roger Charles, A.C.A., *a*1964; 146 Turney Rd, Dulwich, London SE21.
§Williamson, Anthony Gerald, A.S.A.A., *a*1964; with Arthur Young & Co, 165 Broadway, New York 6, N.Y., U.S.A.
Wilson, Adrian Martin Needham, A.C.A., *a*1964; with Peat, Marwick, Mitchell & Co, Pizza Del Liberty 2, Milan, Italy.
Wilson, Francis Falkingham, A.C.A., *a*1964; Well House, Colingbourne Kingston, Marlborough, Wilts.
Wilson, John Richard Taylor, M.A., A.C.A., *a*1964; 3 Westcliff Gdns, Old Brumby, Scunthorpe, Lincs.
Wimbury, Anthony John, LL.B., A.C.A., *a*1964; Garden Flat, 45 Maresfield Gdns, London NW3.
Wintle, Leslie Jon, A.C.A., *a*1964; 13 Repton Ave, Hayes, Middx.
Wood, Peter Edwin, A.C.A., *a*1964; 25 Kenwood Ave, Leigh, Lancs.
Wood, Thomas Robert, A.C.A., *a*1964; Wigginton, near Tring, Herts.
Woodthorpe, Anthony Edmund, A.C.A., *a*1964; 84 Langdale Rd, Hove 3, Sussex.
Worby, Graham Frederick, A.C.A., *a*1964; 12 Manor Rd, Bedford.
Worsley, Francis Edward, A.C.A., *a*1964; 43 Queensdale Rd, London W11.
Wydell, Graeme Arthur, A.C.A., *a*1964; 25 Onslow Gdns, London SW7.
Young, David James, A.C.A., *a*1964; 13 Winsford Rd, Perry Hill, Catford, London SE6.
Young, Robin Malcolm Lomax, A.C.A., *a*1964; with Reeves & Young, 8 Laurence Pountney Hill, London EC4.

Fellowship

The Council acceded to applications from fifteen associates to become fellows under clause 6 of the supplemental Royal Charter.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Acton-Browne, Barry Rodney, A.C.A., *a*1964; Peter Gregson & Co, 9 Chapel Walks, Manchester 2.
Afzal, Mohammed, A.C.A., *a*1964; M. Afzal & Co, 32 Church Crescent, Muswell Hill, London N10.
Amobi, Chiuba Charles, B.A., A.C.A., *a*1961; Onochie, Amobi & Co, 8 Station Rd, P.O. Box 637, Port Harcourt, Nigeria, and at Onitsha.
Anning, Albert John, A.C.A., *a*1959; Carl I. Lentel & Co, Kingsway, Fore St, Seaton, Devon, and at Crewkerne and Lyme Regis.
Arundale, Gordon, A.C.A., *a*1962; *Mitchell & Arundale, 43 Willow Rd, Solihull, Warwicks, and at Henley-in-Arden.
Atkin, Royston Henry, A.C.A., *a*1962; Hardeman Smith & Power, 96 Hagley Rd, Edgbaston, Birmingham 16.
Atkinson, John Wilson, A.C.A., *a*1960; *Peat, Marwick, Mitchell & Co, P.O. Box 220, 2 Market St, Montego Bay, Jamaica, W1, and at Kingston, Jamaica.
Bailey, Percy, A.C.A., *a*1964; 62 Bennett Rd, Four Oaks, Sutton Coldfield, Warwicks.
Barker, Terrence, A.C.A., *a*1964; Smith, Willcox & Co, 18 and 18A Market Place, Thirsk, Yorks.
Beagent, David John, A.C.A., *a*1959; Hallett, Laughlin, Clark & Co, 38 Finsbury Sq., London EC2, and at Henley-on-Thames.
Berman, Brian Anthony, A.C.A., *a*1962; Wm A. J. Ling & Co, 85 Ballards Lane, Finchley, London N3.
Bird, Martin Clive, A.C.A., *a*1956; *Thorne, Mulholland, Howson & McPherson, P.O. Box 1124, Suite 201, Bahamas International Trust Bldg, Nassau, Bahamas.
Bodey, Ronald Edgar, F.C.A., *a*1932; F. J. Ackland & Co, 9 Portland Sq., Bristol 2.
Booth, Donald Barrie, A.C.A., *a*1959; Watson, Waddington & Sharp, 35 Thorne Rd, Doncaster, and at Epworth.
Botting, Maurice Philip, F.C.A., *aS*1951; *Geo. Mackenzie & Co, P.O. Box 508, Blantyre, Malawi, for other towns see *Geo. Mackenzie & Co.
Bryant, Ernest John, A.C.A., *a*1964; 2 Warwick Sq., London SW1.
Butnick, Alan Edward, A.C.A., *a*1964; Alan E. Butnick & Co, 22 Langhorne Court, Alexandra Rd, London NW8.
Carratu, Anthony Domenick John, A.C.A., *a*1960; Thornton Baker & Co, Nuffield House, 41–46 Piccadilly, London W1, and at Horsham.
Chakrabarti, Priyamohan, F.C.A., *a*1939; 2 Church Lane, Calcutta.
Chester, David Samuel, A.C.A., *a*1963; David S. Chester & Co, 6 Waltham Drive, Edgware, Middx.
Chubb, Peter William Brown, A.C.A., *a*1956; Morrish, Walters & Co, Provincial House, 98–106 Cannon St, London EC4, and at Croydon.
Clark, Stanley, A.C.A., *a*1961; Wilson, Perry & Co, Cecil Chmbrs, 52 Hawley Sq., Margate.
Clay, Michael John, A.C.A., *a*1957; *H. F. Parker & Co, 46 Eastgate St, Cowbridge, Glam, and at Cardiff.
Das Gupta, Binod Kumar, F.C.A., *aS*1940; B. K. Das Gupta & Co, 7D Cornfield Rd, Calcutta 19.
Dicey, Clive Richard, A.C.A., *a*1961; Couch, Bright & Co, 66 High St, Uxbridge, Middx.
Dodge, Leslie Charles, F.C.A., *aS*1936; Allnutt, Green & Co, 3 and 4 Clement's Inn, Strand, London WC2.
Drake, Derek Joseph, A.C.A., *a*1957; Ernest James & Co, 11–13 Dowgate Hill, London EC4.
Edwards, Elton Percy, F.C.A., *a*1951; Thompson, Little & Co, 22 Broad St, Hereford.
Elliott, Robert Alan, A.C.A., *a*1963; W. D. Garbutt & Elliott, The Red House, Duncombe Place, York.
Ely, Patrick George, A.C.A., *a*1960; Kemp, Chatteris & Co, Pension Fund Bldg, Place Foch, Port Louis, Mauritius.
Evans, Alan Morgan, A.C.A., *a*1964; Morgan Evans & Co, 'Summerfield', College St, Aberdare, Glam.
Fitchett, Keith George William, A.C.A., *a*1961; Flint & Thompson, Union Chmbrs, 63 Temple Row, Birmingham 2.
Found, Dennis William Arthur, A.C.A., *aS*1956; Friend, Ellis & Co, 44 Chepstow Rd, Newport, Mon., and at Cardiff.
Gearey, John Marchant, A.C.A., *a*1961; †Lawrie Prophet & Co, and †Peat, Marwick, Mitchell & Co, P.O. Box 93, Baumann House, 7 Obote Ave, Kampala, Uganda, and †E. H. Shelton & Co, P.O. Box 537, Baumann House, 7 Obote Ave, Kampala, Uganda.
Gillibrand, Michael, A.C.A., *a*1963; Gould & Mansford, 32 Newbury St, Wantage, Berks, and at Wokingham.
Godfrey, Peter George, A.C.A., *a*1955; *Meeson, Makinson & Co and Meeson, Makinson, Godfrey & Co, 6A George St, Richmond, Surrey.

Golledge, Geoffrey, F.C.A., aS1951; Pawley & Malyon, 42 Welbeck St, London W1.
Goodgame, Ivor William, A.C.A., a1962; Boswell House, 1–5 Broad St, Oxford.
Goodman, Montague, F.C.A., a1950; *Price Waterhouse & Co, 60 Rue Ravenstein, Brussels (for other towns see *Price Waterhouse & Co – European firms).
Grant, Harold Glen, F.C.A., a1952; Norman Baker & Partners, Quality House, 1–2 Wardour St, London W1.
Green, Malcolm Heslop, A.C.A., a1962; Spouse & Green, 5 Parkway, and 38 Heath Drive, Gidea Park, Romford, Essex.
Groom, Michael John, A.C.A., a1964; 43 Bingley St, Penn Fields, Wolverhampton.
Guest, David Thomas, A.C.A., a1958; Crombie, Lacon & Stevens, 34 Waterloo Rd, Wolverhampton.

Harper, John, A.C.A., a1962; Norris, Harper & Co and P. A. Bridger & Co, 32 High St, Erdington, Birmingham 23.
Henderson, Geoffrey, A.C.A., a1964; 150A High St, Gosforth, Newcastle upon Tyne 3.
Ho, Tim Michael, B.A.(ECON.), A.C.A., a1964; Ho, Kwan & Co, 96 Market St, Top Floor, Singapore 1.
Howell, William Mostyn, F.C.A., a1933; Howfield Chmbrs, 39 High St, Merthyr Tydfil.

Johnson, Nels Royden, A.C.A., a1963; Anderson, Thomas, Frankel, 13 Park Place, St James's, London SW1.
Jones, Allan Leslie David, A.C.A., a1960; *H. F. Parker & Co, 46 Eastgate St, Cowbridge, Glam, and at Cardiff.

King, Leslie, A.C.A., a1960; W. D. Garbutt & Elliott, The Red House, Duncombe Place, York.
Kwan, Kenneth Teet Yeen, A.C.A., a1963; Ho, Kwan & Co, 96 Market St, Top Floor, Singapore 1.

Lacon, Paul John, A.C.A., a1962; Crombie, Lacon & Stevens, 34 Waterloo Rd, Wolverhampton.
Latham, Peter John Baldwin, A.C.A., a1961; Edward Boyles & Co, Holborn House, 113 High Holborn, London WC1, and at Edenbridge, Esher, East Molesey, Northwood, Romsey and Los Angeles.
Lawton, Christopher David, A.C.A., a1962; Rosslyn, East Downs Rd, Bowden, Cheshire.
Laxon, (Mrs) Adrienne Mary, A.C.A., a1960; 3 Exe Dene, Ferry Rd, Topsham, Devon.
Leigh, John Raymond, A.C.A., a1959; Leigh, Sorene & Lawson, 146 Oxford St, London W1.
Levy, Brian Alan, A.C.A., a1964; William A. J. Ling & Co, 85 Ballards Lane, Finchly, London, N3.
Loumeau, Marie Leon Gaston, A.C.A., a1957; †Kemp, Chatteris & Co, Pension Fund Bldg, Place Foch, Port Louis, Mauritius.

Malyon, Geoffrey Edward, A.C.A., a1964; Pawley & Malyon, 42 Welbeck St, London W1.
Maughfling, David John, A.C.A., a1963; 8 Westgate St, Gloucester.
Maxwell, Gerald Anthony, A.C.A., a1962; Maxwell & New, 54 Castle St, Liverpool 2.
May, Colin John, A.C.A., a1956; Roberts, Hall & Co, 109 Colmore Row, Birmingham 3, and at Bromsgrove; also at Edgbaston, H. Hunt & Co.
Mead, Gordon Ernest, F.C.A., a1951; Beal, Young & Booth, 9 Cumberland Place, Southampton, and at Eastleigh.
Miller, Robert James, A.C.A., a1960; *Potts, Twells & Co, 22–23 Market Place, Loughborough, Leics.
Morgan, Charles Edward John, A.C.A., a1960; Thomas & Honeywell, 33 Charles St, Newport, Mon., and at Newbridge and Usk.
Morrell, Michael Christopher Estcourt, B.A., A.C.A., a1962; Bishop, Morrell & Co, 15–19 Cavendish Place, London W1.
Morris, Jeffrey Owen, A.C.A., a1963; Ivor E. Evans, Son & Co, Barclays Bank Bldgs, Aberdare, Glam, and at Merthyr Tydfil, Pontypridd and Whitchurch.
Moyse-Bartlett, Colin, A.C.A., a1963; T. P. McNaught & Co, 6 Adam St, Adelphi, London WC2, and at Sidcup.
Murphy, Ronald Edward, A.C.A., aS1955; Pawley & Malyon, 42 Welbeck St, London W1.
New, Terence Anthony, A.C.A., a1962; Maxwell & New, 54 Castle St, Liverpool 2.
Palmer, Leonard George, A.C.A., a1961; Byrne, Palmer & Co, 46, 48 and 52 London Rd, Kingston upon Thames, and W. A. Harrison & Co, 52 London Rd, Kingston upon Thames.
Pickford, Roger, A.C.A., a1962; Jas A. Hulme & Co, 18 Lloyd St, Manchester 2; also at Blackpool, Brooks, Barrett & Co.
Piggott, Ernest Baden, F.C.A., aS1925; L. George Fetzer & Co, 3 King St, Newcastle under Lyme, Staffs.
Price, Edward Howe, F.C.A., a1952; Duart-Smith, Baker & Price, Lennox House, Beaufort Bldgs, Spa Rd, Gloucester.
Price, William Charles, F.C.A., a1952; Kingscott, Dix & Co, Granville House, 59 Brunswick Rd, Gloucester, and at Cinderford and Lydney.
Quail, (Miss) Rita June, A.C.A., a1961; T. B. Quail & Co, 1 Oxford St, Nottingham.
Rowan, Nigel Lewis, A.C.A., a1964; Purcell, Rowan & Co, 58 Theobald's Rd, London WC1.
Russell, Michael Wilford, A.C.A., a1959; 10 O'Connell St, Sydney, New South Wales, Australia.
Shields, Alan John, A.C.A., a1964; *Blick Rothenberg & Noble, 7 Fitzroy Sq., London W1.
Simmons, Stuart, A.C.A., a1963; Stuart Simmons & Co, 73 Basinghall St, London EC2.
Skidmore, Terence, A.C.A., a1964; Reddaway & Co, 94 Sidwell St, Exeter, and at Tiverton.
Smith, William John Akeroyd, A.C.A., a1959; John Gordon, Harrison, Taylor & Co, 7 Bond Place, Leeds 1, and at Harrogate.
Spouse, William Reynolds, A.C.A., a1964; Spouse & Green, 38 Heath Drive, and 5 Parkway, Gidea Park, Romford, Essex.
Sydney-Smith, Ronald Thomas, F.C.A., a1947; *Price Waterhouse & Co, 8 Rue Voltaire, Geneva (for other towns see *Price Waterhouse & Co – European firms).
Walker, Charles Leslie, F.C.A., a1934; 15 Golden Square, London W1.
Walker, John David, A.C.A., a1955; Ivor E. Evans, Son & Co, N. P. Bank Bldgs, 1–3 Taff St, Pontypridd, and at Aberdare, Cardiff, and Merthyr Tydfil.
Windows, Gordon Tennyson, A.C.A., a1959; C. D. Ross & Co, Bush Lane House, Bush Lane, Cannon St, London EC4.

Re-admission to Membership

Subject to payment of the amounts required by the Council, two former members of the Institute were re-admitted to membership under clause 23 of the supplemental Royal Charter. One application under clause 23 was refused.

It was reported to the Council that the following re-admissions, made at the Council meetings on July 1st and August 5th, 1964, subject to payment of the amounts required, had become effective:

Afzal, Syed Ahmad, F.C.A., aS1935; c/o The National & Grindlay's Bank Ltd, 13 St James's Square, London SW1.
Black, Edward George, F.C.A., a1926; 4A Hillcrest, Upper Brighton Road, Surbiton, Surrey.
Ward, Cyril, F.C.A., aS1950; Comptroller, Hercules Sales Ltd, 4006 Dundas Street West, Toronto, Canada.

Changes of Name

The Secretary reported that the following changes of name have been made in the Institute's records:

Pettit, Cyril Henry, to Pettit, Charles Henry.
Schuldenfrei, Peter, to Sheldon, Peter.

Resignations

The Council accepted the resignations from membership of the Institute of:

Parker, Antone George Schindehutte, F.C.A., *aS*1922; 7 Meadow Close, Worthing.

Read, William Cawley, F.C.A., *aS*1924; 5 Stourton Crescent, Stourton, Stourbridge, Worcs.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Mark Ernest Askwith, F.C.A., London.
,, Harold George Bangham, F.C.A., London.
,, Sorab Rustamji Batliboi, F.C.A., Bangalore.
,, Marmaduke Wasley Chapman, F.C.A., Whitby.
,, George Hugh Cobley, F.C.A., London.
,, Edwin Tranmer Coulson, F.C.A., Scarborough.
,, Arthur James, Cox, F.C.A., Cape Province.
,, Charles Owen Crew, F.C.A., Birmingham.
Mr Arthur Edward Downing, F.C.A., London.
,, Gilbert Dyer, F.C.A., Beckenham.
,, William Ernest Greenwood, F.C.A., London.
,, Bernard Hennell, F.C.A., Worthing.
,, Robert Charles Holbrook, F.C.A., London.
Sir John Keay, Kt, F.C.A., St Austell.
Mr Alan Frederick Kimpton, F.C.A., Newport, Mon.
,, Brian O'Donoghue Manning, C.B.E., D.L., J.P., F.C.A., London.
,, Anthony Charles Kenneth Neville Davies, A.C.A., London.
,, Frank Edward Osborn, B.A., F.S.A.A., Durban.
,, Edward Harry Palmer, F.C.A., Nottingham.
,, Douglas Edward Colman Rowe, F.C.A., Derby.
,, Lionel Thomas Salmon, F.C.A., Milford, Surrey.
,, Alfred Scotten, F.C.A., London.
,, Jack Watson, F.C.A., Blackpool.
,, Frank Douglas White, F.C.A., Norwich.
,, William Norman Whitfield, F.C.A., Liverpool.
,, Andrew Whyte, F.C.A., Darlington.
,, Edward Albert Woods, F.C.A., Northampton.

PRESENTATION OF PRIZES

Following the meeting of the Council on October 7th, the President presented prizes and certificates of merit (see photograph, page 471) to the successful candidates in the May examinations who were able to attend. Relatives and friends of prize-winners were invited to the prize-giving, which was held in the Oak Hall at Moorgate Place and was followed by tea.

In the course of his address, Mr Densem said:

'It gives me great pleasure to welcome all of you here this afternoon in this Oak Hall and in particular those who have distinguished themselves in the May examinations and as a result of their performance were awarded either prizes or certificates of merit.

'It is also a great pleasure to welcome the relatives and friends of those who were able to be with us today. The members of the Council always welcome this opportunity and hope that these half-yearly prize-givings are enjoyed by those who come to them, including the Council members themselves. It does seem that a more personal approach in distributing prizes is much to be preferred to sending them by post. It also gives the members of the Council an opportunity of meeting those who, if success at examinations is any criterion, should have a prospect of being among the leaders of the profession in some twenty years' time. I use the word "prospect" because I think you will all realize that mere success at examinations is not everything. On the other hand I personally believe that to achieve a prize or a certificate of merit indicates something far beyond mere theoretical knowledge. I do not think it can be achieved without a lot of hard work, perseverence and concentration; all these are extremely valuable if anyone is going to make a success of the profession of accountancy. I still say, of course, that theoretical knowledge is not everything and you learn a lot more, or you should learn a lot more, during your articles. There is the question of integrity, proper ethics and above all sound judgement but if you have had those capabilities of concentration and perseverance and also that ability to absorb knowledge, I would have thought that it is highly probable that you would have also absorbed these other things which are to many people's way of thinking even more valuable in making your way in the accountancy profession.

'Now let me turn to the Final and Intermediate examinations. To Finalists I expect this examination may seem such a long time ago that you have almost forgotten what the examination was like and many of you have already made up your minds which way you are going to start in the profession. We wish you every success. You have demonstrated at the beginning that you have without a shadow of doubt above average ability. I do trust that you will continue with those other attributes of perseverance and concentration and do well. I would ask you to remember that you also owe something to the profession and that over the years you should try to play your part in Institute activities through your district societies. There is bound to be one in the area in which you are living or working in England or Wales and we would very much appreciate it if you would do your best to take part in the activities of the district societies. You will find this beneficial to you and it is beneficial to the Institute. I wish you all the best in your future progress in the profession.

'As regards those who have done well in the Intermediate, this is the first stage. You still have a lot of hard work ahead of you before you can become members of the Institute. I expect you all have some rosy hopes of honours in the Final. Do not be disappointed if you do not get there. You have something behind you if you have done well in the Intermediate though for some reason it seems even more difficult to do well in the Final than in the Intermediate – although I have never understood why. Having got a good start you can anyhow try and I do hope that you are enjoying the profession. It is a good profession. It is interesting and you already know quite a lot of the theoretical side of the story. I hope you will enjoy it and that your friends and relatives can look at you and say, well, he is doing really well.'

FINDINGS AND DECISIONS OF THE DISCIPLINARY COMMITTEE

Findings and Decisions of the Disciplinary Committee of the Council of the Institute at hearings held on August 5th, 1964.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Stanley Margolis, A.C.A., had been guilty of acts and defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of Clause 21 of the supplemental Royal Charter in that (*i*) in an account of his charges dated November 1st, 1962, submitted to a company carried on by two clients (which were duly paid) it was stated *inter alia* that the profits of the said company for the period to December 31st, 1961, had been agreed with H.M. Inspector of Taxes and that the income tax returns of the said clients for the year 1962–63 had been completed and rendered to H.M. Inspector of Taxes when such profits had not been so agreed nor had such returns been so completed and rendered; (*ii*) he failed to reply or take any action in response to two letters addressed to him by an Under-Secretary of the Institute dated respectively April 17th, 1964, and April 27th, 1964, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Stanley Margolis, A.C.A., had been proved under headings (*i*) and (*ii*) and the Committee ordered that Stanley Margolis, A.C.A., of 14 Queen Victoria Street, London EC4, be reprimanded.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that an Associate of the Institute was guilty of an act or default discreditable to a member of the Institute within the meaning of sub-clause (3) of Clause 21 of the supplemental Royal Charter in that he permitted himself on the business stationery of a firm described on such stationery as Accountants and Auditors Business Consultants, Property and Land Agents to be described as 'Taxation Consultant', so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint had been proved and the Committee ordered that the member be admonished but considered that there existed special circumstances justifying the omission of his name from the publication of the Finding and Decision.

Findings and Decisions of the Disciplinary Committee of the Council of the Institute at a hearing held on July 1st, 1964.

Overdue Subscriptions

In addition to similar complaints on which the Findings and Decisions have already been reported, the Committee heard ten complaints preferred by the Investigation Committee each to the effect that the member concerned had failed to pay within four months of January 1st, 1964, the subscription then due and payable by him, so as to render himself liable to exclusion or suspension from membership. The Committee found the complaint proved in every case and ordered that each of the ten members be excluded from membership unless by specified dates the subscriptions respectively the subject of the formal complaints had been received, and the Committee further ordered that in the event that the foregoing Decisions did not take effect, four of the members be admonished, that no action be taken in the other six cases, and that there then existed in all cases circumstances which justified the omission of the name of the member from the publication of the Finding and Decision. Eight of the ten subscriptions were received in the period allowed and the following Decisions have therefore become effective:

(*a*) *Excluded from membership with effect from July 31st, 1964.*
Peter Borrowdale Spenser Shevlin, A.C.A., 24 Highbury, Jesmond, Newcastle upon Tyne 1.
Sidney Charles Stephens, F.C.A., 12 South Terrace, Littlehampton.

(*b*) *Admonished*
Three members.

(*c*) *No action*
Five members.

FINDINGS AND DECISIONS OF THE APPEAL COMMITTEE

Findings and Decisions of the Appeal Committee of the Council of the Institute at hearings held on September 28th, 1964.

The Appeal Committee heard an appeal against the Decision of the Disciplinary Committee of the Council of the Institute upon a formal complaint preferred by the Investigation Committee of the Council to the Disciplinary Committee that a member had failed to pay the subscription payable by him under Clause 11 of the supplemental Royal Charter and Bye-law 41 in respect of the year 1964 for four months after the same had become due, so as to render himself liable under Clause 21 (7) of the supplemental Royal Charter to be excluded from membership or to be suspended for a period not exceeding two years from membership. The Committee affirmed the Decision of the Disciplinary Committee that the member be admonished and that there existed special circumstances which justified the omission of his name from the publication of the Finding and Decision.

The Appeal Committee heard an appeal against the Finding and Decision of the Disciplinary Committee of the Council of the Institute upon a formal complaint preferred by the Investigation Committee of the

Council to the Disciplinary Committee that a member of the Institute had failed to pay the subscription payable by him under Clause 11 of the supplemental Royal Charter and Bye-law 41 in respect of the year 1964 for four months after the same had become due, so as to render himself liable under Clause 21 (7) of the supplemental Royal Charter to be excluded from membership or to be suspended for a period not exceeding two years from membership. The Committee affirmed the Finding of the Disciplinary Committee that the formal complaint against the member had been proved and the Committee varying the Decision of the Disciplinary Committee ordered that no action be taken and that there existed special circumstances which justified the omission of the name of the member from the publication of the Finding and Decision.

The Appeal Committee heard an appeal against the Decision of the Disciplinary Committee of the Council of the Institute upon a formal complaint preferred by the Investigation Committee of the Council to the Disciplinary Committee that Bijoy Kumar Roy Choudhury, A.C.A., had failed to pay the subscription payable by him under Clause 11 of the supplemental Royal Charter and Bye-law 41 in respect of the year 1964 for four months after the same had become due, so as to render himself liable under Clause 21 (7) of the supplemental Royal Charter to be excluded from membership or to be suspended for a period not exceeding two years from membership. The Committee affirmed the Decision of the Disciplinary Committee that Bijoy Kumar Roy Choudhury, A.C.A., of 372/2 Russa Road (South), Calcutta, 33, India, be excluded from membership of the Institute.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS BARTON, MAYHEW & CO announce that Mr F. WILSON BARTON, F.C.A., resident manager of their office in Las Palmas, Grand Canary, was admitted to partnership on October 1st, 1964.

MESSRS CHIENE & TAIT, MESSRS RICHARD BROWN & CO and MESSRS LINDSAY, JAMIESON & HALDANE, Chartered Accountants, Edinburgh, and MESSRS MCLINTOCK, MOORES & MURRAY, Chartered Accountants, Glasgow, announce that, whilst their separate practices will continue, they have formed a joint firm with the name of MESSRS MCLINTOCK, MOORES & MURRAY which will practise from 3 Albyn Place, Edinburgh 2. The partners in the joint firm are Mr T. D. GOVAN, C.A. and Mr R. GORDON, C.A. (of MESSRS CHIENE & TAIT), Mr R. B. ANDERSON, C.A. and Mr G. A. L. GORDON, C.A. (of MESSRS RICHARD BROWN & CO), Mr F. G. MORE, C.A. and Mr G. R. L. BROWN, C.A. (of MESSRS LINDSAY, JAMIESON & HALDANE) and Mr L. T. MILLER, C.A. and Mr C. I. BUYERS, C.A., A.C.W.A. (of MESSRS MCLINTOCK, MOORES & MURRAY, Glasgow).

MESSRS COOPER BROTHERS & CO and COOPERS & LYBRAND announce that they have taken into partnership in Paris, Mr JOSEPH EDOUARD PIAT, F.C.A.

MESSRS ELLES, REEVE & CO, Chartered Accountants, of 4 Bucklersbury, London EC4, announce that as from August 31st, 1964, their senior partner, Mr WALLACE HEPBURN, F.C.A., has retired from the partnership which will be carried on in the same name and from the same address by Mr T. J. M. MACLEOD, C.A., Mr P. A. STUTTARD, F.C.A., Mr J. B. CLIFFORD, C.A., and Mr V. M. WINCHCOMBE, F.C.A.

Mr JEFFERY ENGLISH, F.C.A. of Bournemouth, announces the admission of Mr MICHAEL PINS, A.C.A., as a partner. The name of the firm continues to be WILLIS, PARSONS, ENGLISH & CO.

MESSRS MYERS, DAVIS & CO, Chartered Accountants, of 310 Edgware Road, London W2, announce that Mr G. E. SIMMONDS, A.C.A., has been admitted into the partnership as from October 1st, 1964. The name of the firm remains unchanged.

MESSRS ORR, SHOTLIFF & CO, Chartered Accountants, of 160 Piccadilly, London W1, announce that as from October 1st, 1964, they have admitted into partnership Mr M. POOLE-CONNOR, A.C.A., who has been a member of the firm for a number of years. The firm's name remains unchanged.

MESSRS PEAT, MARWICK, MITCHELL & CO (West Riding partnership) announce with regret the retirement, as from September 30th, 1964, of Mr W. H. MOSLEY ISLE, F.C.A. Mr EDWARD CHARLES SHAW, F.C.A., who has been a senior member of their staff for the past twelve years, has been admitted a partner as from October 1st, 1964.

MESSRS BERNARD RADER & CO, Chartered Accountants, and MESSRS MONTAGUE SAMUELS & CO, Chartered Accountants, announce that they have become associated. Mr BERNARD RADER, F.C.A., has become a partner in MONTAGUE SAMUELS & CO and Mr MONTAGUE IVOR SAMUELS, B.SC.(ECON.), A.C.A., has become a partner in BERNARD RADER & CO.

MESSRS RUSSELL, DURIE KERR, WATSON & CO, Chartered Accountants, of Lombard House, Great Charles Street, Birmingham 3, announce that Mr ROBERT W. MORGAN, A.C.A., was admitted into partnership on October 1st, 1964.

MESSRS MONTAGUE SAMUELS & CO, Chartered Accountants, formerly of 194–200 Bishopsgate, London EC2, announce that they have moved their

London office to Craven House, 121 Kingsway, London WC2. Telephone Chancery 4087.

MESSRS ALFRED TOOKE & Co, Chartered Accountants, of 100 Park Street, Grosvenor Square, London W1, and MESSRS HARRY L. PRICE & Co, Chartered Accountants, of 47 Mosley Street, Manchester 2, announce that as from October 1st, 1964, they have jointly acquired the practice of MESSRS HAND & Co, Chartered Accountants, of Avebury House, 55 Newhall Street, Birmingham 3. Mr WILLIAM L. HAND, F.C.A., will continue to be associated with the firm in the capacity of consultant.

SOUTH EASTERN SOCIETY OF CHARTERED ACCOUNTANTS

Fifteenth Students' Residential Course

The first part of the Fifteenth Students' Residential Course arranged by the South Eastern Society of Chartered Accountants was held at the Royal Pavilion Brighton, from Septembei 28th to October 2nd (final course) and at the Brighton Technical College from September 21st to October 2nd (introductory course for newly-articled clerks). Over one hundred students attended from the students' societies within the Society's area, which serves Kent, Sussex, Hampshire and parts of Wiltshire and Dorset.

The courses were introduced by Mr C. R. P. Goodwin, F.C.A., the President of the Society. Mr J. D. Russell, M.A., F.C.A., a member of the Council of the Institute, spoke at the Course Dinner, and the Society also welcomed students' society officers and principals of articled clerks to the dinner and other functions.

All the lectures and meetings, together with the formal and informal discussions which followed, attained a high standard, and students found them immensely beneficial as a supplement to their normal studies and professional work. It is felt by the organizers that considerably more students will wish to attend future courses to be held if the educational and social success of this one can be maintained, and it is hoped that their attendance will again be facilitated as much as possible by the very willing co-operation given by their principals on this and previous occasions.

The 1emaining students' residential courses to be held by the South Eastern Society during 1964 are as follows: Introductory course for newly-articled clerks – December 7th to 18th; Intermediate students' course – December 14th to 18th.

The Introductory course will again be held in conjunction with the Brighton Technical College, and the Intermediate course will be at the Royal Pavilion, Brighton. Students within the area of the South Eastern Society will receive nearer the time individual notifications regarding these courses. Other students wishing to attend should apply for details to the Course Secretary, Mr T. T. Nash, F.C.A., 33 Lawrence Road, Hove, Sussex.

MANCHESTER SOCIETY OF CHARTERED ACCOUNTANTS

The 1964–65 session of the Manchester Society of Chartered Accountants opened on October 2nd when the President and members of the committee held a sherry party for newly-qualified chartered accountants in the area.

Luncheon Meetings

A series of luncheon meetings, the first of which took place last Monday, when the guest speaker was The Rev. E. R. Wickham, B.D., Bishop of Middleton, have been arranged for the first half of the winter session at 46 Fountain Street, Manchester 2 from 12.45 p.m. Addresses will be given as follows:

November 9th: 'The motor-car – asset or liability?', by Mr I. C. Laurie, B.A., A.M.T.P.I., A.I.L.A., lecturer in Town and Country Planning, University of Manchester.

December 14th: Christmas lunch: no speaker.

January 11th, 1965: An official of the Ministry of Pensions and National Insurance will talk about certain relevant National Insurance topics.

Afternoon Meeting

In view of the interest displayed by members, arrangements have been made for a party (or parties) to visit the Manchester Computer Centre for a series of short lectures and a demonstration of the equipment and the uses to which it can be put. The meeting will be held at the offices of the Computer Centre, 66 Mosley Street, Manchester 2, from 2.30 p.m. to 5.30 p.m. on January 26th, next. A detailed programme is available and those interested are invited to notify the Assistant Secretary. If the demand justifies it, it may be possible to run a second session in the evening or on some subsequent evening.

Evening Meetings

The following meetings have been arranged for the forthcoming winter session. The meetings have purposely been restricted in view of the sparse attendance at two of the four evening meetings held last winter, on the ground that it is more satisfactory to all concerned to hold two well-attended meetings.

October 21st: Joint meeting with members of The Institute of Cost and Works Accountants. 'The economist, the management accountant and profitability', by Mr L. J. George, economist, Ferranti Ltd, at the Stanley Room, Midland Hotel, at 6.45 p.m.

November 4th: Joint meeting with members of the Association of H.M. Inspectors of Taxes, preceded by a Hot Pot supper at the Old Nag's Head Hotel, Jackson's Row, at 6 p.m.

November 19th: Annual dinner at the Midland Hotel.

Discussion Group

The discussion group resumed its activities last month. The group meets monthly at 46 Fountain Street, Manchester, at 6 p.m., tea and biscuits being available from 5.45 p.m. The honorary secretary is Mr D. H. Eglin, LL.B., A.C.A., 46 Fountain Street, Manchester 2.

BROMLEY AND SOUTH-EAST LONDON DISCUSSION GROUP

The 1964–65 programme of the Bromley and South-east London Discussion Group opened on October 6th, when the Inspector of Taxes for Bromley 1st District led a discussion on 'Ways and means the profession can assist the Inland Revenue'. The remainder of the programme is as follows:

November 4th: Mr J. Blackwood will give a short talk on the Institute's electronic data processing course held in Brighton earlier this year. This will be followed by a discussion on 'The remuneration of the accountant'.

December 3rd: Mr R. A. Bateman, a stockbroker, will lead a discussion on 'The Stock Exchange'.

January 5th, 1965: A joint meeting with the Certified Accountants' Group to debate 'The taxpayer and his accountant are morally justified in adopting any legal device designed to mitigate the impact of taxation'.

February 3rd: Mr R. K. King, F.C.A., will lead a discussion on 'Superannuation schemes'.

March 4th: A talk and discussion on 'Tax losses and their utilization'.

All the above meetings will be held at the New Hackwood Hotel, Widmore Road, Bromley (opposite K. J. Motors Ltd).

The honorary secretary of the group is Mr L. C. Hillier, F.C.A., c/o Harrison Hill & Co, Chartered Accountants, 196 High Street, Bromley, Kent.

CHARTERED ACCOUNTANTS' STUDENTS' SOCIETY OF KINGSTON UPON HULL

A wide variety of lecture meetings has been arranged for the 1964–65 session of The Chartered Accountants' Students' Society of Kingston upon Hull. Meetings (which commenced last week) include lectures on various aspects of taxation, banking and finance of industry, stages of bankruptcy, the law on trust accounts, and standard costing. Other activities include visits to Hawker-Siddeley Aviation Ltd, and the Hull Brewery Co Ltd, and the Society's annual dinner will take place at the New York Hotel, Kingston upon Hull, on December 15th.

Further details regarding the activities of the Society are obtainable from the honorary secretary, Mr R. H. Burgess, c/o Hodgson, Harris & Co, Chartered Accountants, Bank Chambers, Parliament Street, Hull.

MANCHESTER CHARTERED ACCOUNTANTS STUDENTS' SOCIETY

At a recent meeting of the Manchester Chartered Accountants Students' Society, the following officers were elected for the ensuing year:

President: Mr R. Hayton, A.C.A.
Vice-President: Mr L. Bowyer, F.C.A.
Hon. Secretary: Mr J. Townsley, B.COM., A.C.A., 46 Fountain Street, Manchester 2.
Hon. Treasurer: Mr E. K. Richardson, B.SC.(ECON.)
Hon. Librarian: Mr G. N. Elliott, A.C.A.
Joint Hon. Auditors: Messrs A. T. Dowd, B.SC., F.C.A., and W. A. Bolton, F.C.A.

CHARTERED ACCOUNTANTS' HOCKEY CLUB

The annual general meeting of the Chartered Accountants' Hockey Club was held at Gresham College, Basinghall Street, London EC2, on September 17th at 6 p.m.

The Honorary Secretary reported that the season's results showed a 'deficit in goals, balanced by a small surplus in sterling'.

The President, Sir William Carrington, the Hon. Secretary and Hon. Treasurer, Mr S. N. Elgar, and the Hon. Fixture Secretary, Mr N. F. Holland, all retired. A resolution was passed unanimously thanking them for their work for the Club over the years.

The following officers were then elected for the 1964–65 season:

President: Mr C. O. Merriman.
Hon. Secretary and Hon. Treasurer: Mr A. J. Hines, Priory Gate, Sudbury, Suffolk (Monarch 6526).
Hon. Fixture Secretary: Mr M. L. Pecker, 221 Goldhurst Terrace, London NW6 (Monarch 2242).

The new President called for an increase in members, both playing and non-playing, pointing out that playing members of the Club accounted for only about one-tenth of one per cent of the Institute membership. He urged members and articled clerks interested in playing to contact the Hon. Secretary.

SOUTH AFRICAN AND S. RHODESIAN CHARTERED ACCOUNTANTS (U.K.)

In 1961 an informal association was formed in the United Kingdom of chartered accountants who qualified or have practised in South Africa or Southern Rhodesia.

Two meetings are normally held each year (in the spring and autumn). This year's autumn meeting and dinner is to be held at a West End club in London on Friday, October 23rd, when the guest speaker will be Mr Derek du Pré.

The present membership is between forty and fifty, and any eligible chartered accountants not already members who are interested in attending the forthcoming meeting, are invited to contact Mr R. J. Benson, F.C.A., C.A.(S.A.), 21 Langstone Road, Havant, Hants (telephone Havant 3837), as soon as possible.

ASSISTANT OFFICIAL RECEIVER

The Board of Trade has announced that, consequent upon the regrading of the post, Mr John Martin Christensen has been appointed to succeed Mr Ernest Arthur Ashcroft as an Assistant Official Receiver for the Bankruptcy District of the County Courts of Bristol, Bath, Bridgwater, Cheltenham, Frome, Gloucester, Swindon and Wells with effect from September 7th, 1964.

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE ACCOUNTANT

ESTABLISHED 1874

OCTOBER 24TH, 1964 VOL. CLI. NO. 4688

CONTENTS

Serving Management

THE magnitude of the task facing the new Government which took office last week-end (referred to on another page) was emphasized by the September trade gap figures that appeared on the same day that many of us were still deeply absorbed in the electoral drama which ushered in the fresh faces. Whilst it is familiarizing itself with the situation, the initial strain on the balance of payments can be taken by the borrowing arrangements made with the International Monetary Fund, possibly supplemented by import controls and other temporary measures, but the long-term problems will press just as heavily on Mr BROWN and Mr CALLAGHAN as they did on Mr MAUDLING in the later months of his spell at the Treasury. However, these are only temporary palliatives and if the fundamental imbalance is to be corrected more radical solutions must be found. The situation calls for a lasting improvement in productivity and hence Britain's ability to offer strong competition in overseas markets; but if this is to be achieved both sides of industry will have to show greater awareness of the need for radical changes in their present methods of working and attitudes to innovation.

Against this economic background it was appropriate that The Institute of Internal Auditors should have taken the accountant's contribution to the development of management control techniques as the theme for its election-week West European Regional Conference. Good management is the foundation on which the whole industrial edifice rests, and on the industrial edifice rests the prosperity of the nation.

In his paper entitled 'Integrated planning and control', reproduced in this issue, Mr B. J. M. EDMUNDS, F.S.A.A., C.A.(S.A.), A.C.W.A., developed his argument that firms could obtain better results from their managers if they adopted 'planned action programmes' as a basis for achieving significant improvements in profits. The techniques he advocated involve individual managers in making a critical appraisal of their own activities and programmes, and subsequent concentration on reaching their declared objectives – and this requires the accountant to highlight more specifically the profits or losses that flow from a particular managerial decision. It therefore follows that if managers are to be made more profit conscious, the existing techniques for measuring performance must be considerably improved and new ones must be developed where they appear to be necessary.

Criticism of present accountancy practice in this respect came from outside the profession in a paper presented by Mr CLIVE LOVELUCK, B.SC.(ECON.), F.S.S., entitled 'Management develops new

techniques'. Starting from the premise that management needs the assistance of mathematical and statistical techniques, among others, in assessing the risks and costs of alternative courses of action, he commented that the majority of accountants have little knowledge of developments in these fields – or even, indeed, a basic training in their application. He concluded by asserting that present methods of accountancy education based on the acquisition of experience in professional offices are inadequate as a training ground for managerial responsibilities.

Mr J. P. WILSON, F.C.W.A., F.C.I.S., President of The Institute of Cost and Works Accountants, in his paper 'The new frontiers of accountancy', directed attention to those areas of the industrial field that will provide some of the richest harvests for the accountant who is prepared to take a more positive view of the contribution he can make to the solution of management problems. It must come as a surprise to management-orientated accountants that he should find it necessary to comment that 'a disturbing feature in the accountancy profession has been the widespread failure to appreciate the true nature of marginal costing'.

Mr WILSON was careful to point out that preoccupation with developments in the management accounting field must not lead the profession to neglect advancements in the practice of stewardship accounting. To some extent his fears have now been met by the new Stock Exchange regulations which will apply to companies as they come to the London capital market for a quotation; but it is in the implementation of these requirements that accountants will find their professional abilities put to the greatest test. Companies that have hitherto not thought it necessary to produce quarterly or half-yearly figures – even for their own private information (and they do still exist) – will have to engage in some drastic re-thinking.

An insider's view of the gaps in the profession's coverage of the financial field was provided by Mr RICHARD DAVIS, F.I.M.T.A., in his paper 'On meeting the challenge'. Advancements in any field of human endeavour are invariably presaged by the criticisms of those who are prepared to offer controversial ideas that go beyond the margins of present practice, and the author of this paper said much that has still to gain acceptance by the majority of British accountants. To some extent the points he made were an extension of those touched on in Mr WILSON's paper. It seems that even now only a relatively small number of accountants have taken the trouble to familiarize themselves with such techniques as the application of discounted cash flow to the assessment of capital investment proposals. Indeed, the significance of the interest factor in relation to many aspects of financial planning seems to have made remarkably little impact on the thinking that goes into accounting presentation. It is perhaps an indictment of the profession that *The Economist* recently thought it necessary to devote a major article to a simplified outline of basic D.C.F. principles for the benefit of industrial managements. Educating managers in the fundamentals of finance is essentially one of the responsibilities that accountants should undertake – but first they must educate themselves.

Mr DAVIS shares some of Mr LOVELUCK's misgivings that all is not well with present methods of recruitment and training for the profession. He accepts that the new Joint Diploma in Management Accounting is a well-meant, if belated, attempt to meet some of the deficiencies but he would like to see a degree of specialization at an earlier stage in the training programme.

It is fitting that The Institute of Internal Auditors, with its commitment to the critical examination of industry's own established customs and practices, should have used the occasion of this conference to such good purpose. Indeed, the *raison d'être* of the whole profession is based on its ability to offer constructive criticism and it is right and proper that it should from time to time turn inwards on itself to look anew at the way in which it goes about its business. Members of the profession in general have become almost blasé in their attitude to new major advances in the technological field, so rapidly do they reach fruition, but they tend to forget that their own specialization has progressed relatively little during even the present century.

To return to the theme of our opening remarks, if the nation is to find a solution to its economic *malaise* it must look to concerted effort by both sides of industry. The contribution accountants can make is infinite – provided they have taken the necessary steps to equip themselves with the professional expertise they need for the task.

Economic Overlordship

IT hardly needed the announcement of the September trade deficit of £111 million to remind the electorate of the precarious state of the economy. It served, however, to underline the immediate problem confronting the new Government, i.e. to reduce the widening visible trade balance and to halt the outflow of reserves currently staunched by overseas borrowing.

Mr HAROLD WILSON knows that his administration will stand or fall by the success which attends its efforts to revitalize the United Kingdom economy so that exports expand and a faster rate of economic growth becomes possible. In comparison, all other problems fade virtually into insignificance for, without exports and growth, all hopes of better social provision and higher living standards are as nothing.

It was not surprising, therefore, that the new PRIME MINISTER's first appointments should concern the direction of the economy. Mr GEORGE BROWN's appointment as FIRST SECRETARY OF STATE and MINISTER FOR ECONOMIC AFFAIRS occasioned no more surprise than did Mr CALLAGHAN's election as CHANCELLOR OF THE EXCHEQUER. At first sight the division of functions between the two Ministers – the former dealing with overall economic issues and the latter with fiscal matters – has a certain logic. In reality, however, it marks the demotion of the Chancellorship since it is self-evident that, if the economy is to be 'dual-controlled', then the Treasury must defer to the 'economic overlord'. If the CHANCELLOR were to seek to assert his independence of Mr BROWN's department and try to extend his authority on the scale achieved by his predecessor in office, there would clearly be open conflict.

Mr BROWN has lost no time in ensuring that his control will be effective. The creation of his own department, with the deputy director of the National Economic Development Council, Sir DONALD MCDOUGALL, as chief executive, merely drives home the obvious. It is equally self-evident that the N.E.D.C. will no longer be the primary planning body; to this extent, too, the CHANCELLOR's influence is reduced. At best, the N.E.D.C. will serve as a forum for a periodic exchange of views between the Government and both sides of industry. The appointment of Mr JACK DIAMOND, F.C.A., as Chief Secretary to the Treasury is to be welcomed as a sign of the new administration's desire to control the persistent upward spiral of Government outlays.

Closely related, in the sense that they will come within the scope of Mr BROWN's authority, are the new appointments to the Board of Trade and the more interesting appointment of Mr FRANK COUSINS to head the newly-created Ministry of Technology. But the significance of the latter appointment is surely to be found in the need for Mr WILSON to convince the trades unions that their interests shall not be neglected in the highest councils of the nation, even if the policies there decided upon should conflict with the unions' most cherished beliefs. Mr WILSON can be said to have a keener appreciation than his predecessor of the reasons why an incomes policy proved unacceptable, just as he is aware of the need to increase labour mobility between industries and bring the system of industrial apprenticeship into keeping with the needs of the economy.

It is quite idle to pretend that the proliferation of new Ministries or the appointment of outside 'brains-trusts' will of themselves cure Britain's current economic *malaise*, but undoubtedly the time had come for some purging of the industrial system and even a little blood-letting. A fundamental lack in recent Government policy has been its failure to convince both sides of industry that a new order could be achieved and maintained. Whatever the success or limitations of the French planning system, the fact remains that one influence dominated all else: industry was convinced by the early success of the first plan that the policy was sound and, as we all know, nothing succeeds like success.

Whether Mr WILSON and his colleagues can generate a new confidence throughout the economy and so stimulate industry to much greater efforts in the export markets, much less at home, remains to be seen.

The Truth about Pension Preservation – I

by WILLIAM PHILLIPS
Author of *Pension Scheme Precedents*

In July the former Minister of Labour said that the limited extent of preserving pension scheme rights when workers change their employment had been concerning the Government for some little time. More recently the National Joint Advisory Council announced that it was setting up a subcommittee 'to consider and report on . . . existing arrangements for the preservation of occupational pension rights'.

AS everyone knows there are three reasons why the sales of 'Glug', that wonderful dog food, are so slack; one being that the dogs won't eat it. What politicians and other pamphleteers who have recently been so vociferous on the subject which they mis-call 'transferability' appear not to know is that one of the three impediments to preservation of accrued pension rights is that 'the dogs don't like it'.

When in 1921 Parliament decided to offer further inducement to employers and employees to set up institutional pension schemes, section 32 of the Finance Act of that year provided three income tax advantages to an approved scheme, (*a*) tax-free accumulations of its fund; (*b*) complete relief from income tax (including surtax) on the employees' contributions subject to certain conditions; and (*c*) the treatment of pension scheme payments as earned income.

One of these conditions unhappily permitted, on terms, the return of employee contributions on change of employer. One doubts where a more forceful example could be found of the truth that it is easy to be wise after the event.

The philosophy underlying that section 32 (now section 379 of the Income Tax Act, 1952) may be thus epitomized:

(1) a man receives remuneration until he reaches, say, age 65, but

(2) he needs an income throughout his life, by however many years he survives age 65, and

(3) therefore a sizeable part of his actual forty-five or fifty years of remuneration should be notionally spread, for income tax purposes, over the years of his retirement, and then treated as earned income.

It has been argued that this is not a concession, it is merely natural justice; but millions of employees have regarded the escape from injustice as a concession of great value (and everyone knows how desirous the self-employed were to be provided with a similar escape, and how they had to wait thirty-five years for the Finance Act, 1956, to provide them with it). There is nothing whatever in this philosophy about using a pension scheme as a savings bank into which tax-free deposits can be paid, withdrawable, say, twenty years later.

Refunded Contributions

No one who has been concerned with the establishment of a pension scheme, or its drafting or administration, can have failed to hear the phrase 'The object of a pension scheme is to pay pensions', from the lips of the overworked officials of the superannuation department of the Board of Inland Revenue. Some who have heard these oft-reiterated words (on one occasion so often repeated by a persuasive lady inspector as almost to bring tears to the writer's eyes) must have felt an urge to reply: 'Then in heaven's name, why do you permit cash refunds?'

However, Parliament permitted it, on such conditions as the Commissioners of Inland Revenue should prescribe, and the Inland Revenue felt bound to allow refunds on change of employment – on terms merely that on an employee taking a refund of his own contributions paid to a contributory pension scheme, he be not given (contracting-out apart) any benefit in respect of the employer's contributions, and the payment of income tax on the net refund 1*s* 11¼*d* in the £.

Nowadays it would be a bold employer indeed who so much as contemplated excluding such cash refunds from his contributory scheme. ('After all, it's his own money'.) To delete cash refunds from an existing contributory scheme, *unless forced to do so by Parliament*, would be unthinkable.

Optional preservation in respect both of the employee's and the employer's contribution is already provided by countless institutional

schemes and it would, of course, be used were it not for the cash refund option. It is nearly always inserted in schemes newly established nowadays, and has been inserted into many others on their being modernized, notwithstanding that there is then imposed on the trustees the responsibility for a piece of property belonging to the employee of a new and often unknown employer, 'property' dormant for, perhaps, many years, and the work of paying that ex-employee an element of pension in the more or less distant future for, perhaps, many years more.

If the employee's new employer has a suitable pension scheme, everyone welcomes the opportunity to avoid this responsibility and the administrative work it involves, by handing over the reserve (commonly then known as a 'transfer value') to the new employer's scheme on condition that a frozen benefit is preserved for him there. To a contributory pension scheme the employer nearly always contributes as much as all the employees together, and often more.

A Seemingly Invidious Choice

A typical case of an employee changing his employment after a number of years' service would therefore often present him with two options:

(1) to take immediately (say) £350 in cash, the refund of his own contributions (with or without interest);

(2) to enjoy eventually an element of pension, commencing at some such age as 65, worth *now at least* £700, and perhaps more, and of course to be worth much more when the pension commences; coupled with a death benefit which may be £750 or more, usually will be £700 plus, and perhaps with further interest added, if he dies before that age.

Fortunately an electronic computer does not faithfully perform addition and multiplication for twenty years, and then suddenly go on strike and insist upon doing only subtraction and division; but the electronic computer does not have a brain (despite the jargon of the newspapers). The working of the human brain is more peculiar. The same employee who, when a pension scheme first becomes available to him, leaps to contribute (say) 5 per cent of his remuneration (and save tax thereon at top-slice rate) to secure pension benefits to the cost of which his employer will contribute at least as much more, will prove incapable of forgoing a cash refund if he changes his employment twenty years later, though it costs him more than he gains.

Five per cent does not look very large, but many have never previously had their hands on £350 at one time. The temptation too often proves irresistible. One large employer recently reported that 95 per cent of 'leavers' succumb to this expensive temptation. Restrictions on mobility of labour may be nationally objectionable, but what are we to say of cash refund rules which tempt the employee to change his employment, merely so that he will be able to get his hands on a considerable sum of money? Let him, appetite aroused, repeat this a number of times, and when he ultimately retires he can always write to John Gordon of *The Sunday Express* complaining of the paucity of the miserable little bit of pension he has been granted after a strenuous working life, intervals for compulsory holidays and strikes only excluded.

Parliament Must Act

It is but beating the air to talk about preservation until the catch-phrase of the Inland Revenue officials becomes a reality, and this can only be done by inserting into an Act of Parliament – for example, the next Finance Act – an amendment of section 379 such that approval for new schemes, and continued approval of existing schemes, be not permitted after an 'appointed date' (the Parliamentary draftsman's darling child) unless employee contribution refunds are permitted only on cessation of employment caused by permanent disability, physical or mental.

Then, and then only, preservation of accrued rights (from which transferability would follow) could, by a further amendment, be made a condition of continued approval. Few employers would object, and indeed why should they? That was 'the object of the exercise' – the basis of the two tax concessions. This is the position in the United States; it is also the position in Trinidad – and, after all, Great Britain is still part of the Commonwealth.

Before turning to the other two impediments to preservation and transferability it is necessary to mention two very different senses in which these words are currently used. So far we have been speaking of preservation and transferability of accrued rights only. Some actuaries, for whom the writer has a most profound respect, apparently believe that this is all that can be expected in the foreseeable future. The writer (and perhaps

some others) do not think that this suffices[1]. The two different points of view can best be shown by an example.

An Invidious Comparison

Three boys, X., Y. and Z., very nearly of the same age, say 18, leave school on the same day and start working for three companies A., B. and C., respectively, at the same salary and with precisely the same pension scheme expectations. For simplicity we will take a customary arrangement, and one which is steadily becoming more and more prevalent, namely, one-sixtieth of final salary on retirement at age 65, limited to a maximum of forty-sixtieths. This is a limitation imposed by the Inland Revenue – the well-known two-thirds rule – and is one to which no one in this country has ever objected, to the writer's knowledge. The result of the limitation is that any change of employer by X., Y. or Z. before reaching age 25 will not affect the ultimate pension at age 65, though there be no preservation and no payment of a transfer value.

Let us turn to later ages, and suppose that by a coincidence the salaries of X., Y. and Z. keep parallel throughout their lives, despite any changes of employment; assume their remuneration steadily increases during the forty years, finally reaching £3,000 a year by the time (roughly the same time) that they reach age 65. Then X., having never changed his employer, will be entitled to a pension of two-thirds of this amount, namely, £2,000 per annum, but Y., who changed from B. to C. at age 55, and took a transfer value with him to C.'s scheme, will not. Who says not? The Commissioners of Inland Revenue!

'The Fool of an Act'

One hates to criticize those unusually-so-very-co-operative civil servants at New Wing, Somerset House – and indeed the blame perhaps does not lie on their shoulders, for they clearly must act within the terms of the statute law, and section 32 of the Finance Act, 1921, now re-enacted as the famous section 379 of the Income Tax Act, 1952, is, in the words used by Lord Macnaghten in the House of Lords in another connection, 'one of the least intelligible sections of an Act of Parliament not remarkable for perspicuity'.

The Finance Act, 1921, clearly did not intend to extend the power of a company to charge against its revenue account expenses incurred in furthering its trade or business. Neither it nor any other enactment has ever entitled one company to meet out of its revenue the cost of providing pensions for the employees of some other independent company. Of that no one would think of complaining; but unfortunately the Inland Revenue feel bound to interpret this, to the detriment of Y., to prevent a new employer subsidizing fully the accrued pension rights acquired under a former employer so as to put Y. in the same pension position as though he had never changed his employer.

Obviously the cost of providing a two-thirds pension of £*x* a year is not equally spread over the forty years from age 25 to age 65, during which the employee's wages have been rising from a few pounds a week to £3,000 a year – especially as the rise is unlikely to be a straight-line one but usually will be a steeper ascent in the second twenty years than in the first twenty. Thus the transfer value which pension scheme B. pays to pension scheme C. will not pay for thirty-sixtieths of £3,000 as part of a pension for Y., and C.'s pension scheme will only be permitted (apart from the transfer value) to provide twelve-sixtieths, a total pension which is always found to be less than forty-sixtieths. In fact, even the twelve-sixtieths for ten years' service is but a possible concession, quoted currently by the Inland Revenue merely for guidance; the only certain benefit which can be covenanted for ten years' service is ten-sixtieths.

Bad Temper if not Bad Law

What makes this all the more peculiar is that if Y. had transferred from B. to C. just before he attained age 45, C.'s pension scheme would have been permitted, even without a transfer value, to have given him a two-thirds pension at age 65 – forty-sixtieths for twenty years service – whereas if he had so transferred just after he attained that age the most that C.'s scheme could pay would be thirty-six sixtieths. In the first case he gets two-thirds *even without a transfer value being paid*, in the second he gets less than two-thirds *even with a transfer value*.

We have been taught that exceptional hardships do not make bad law but it happens that owing to unforeseen expansion or unexpected deaths, an age in the neighbourhood of 45 is that of employees of proved ability whom it is often necessary to recruit to fill important appointments. Such recruiting is far from exceptional and, as the maximum pension which is permitted by the

[1] It is usually difficult to know which of the two the pamphleteers are demanding; probably they do not know themselves.

Inland Revenue differs so materially according to which side of the forty-fifth anniversary of his birth the recruit lies, if this does not make bad law it certainly makes for bad tempers.

And what makes this all the more difficult to explain to Y. is that if Z. transfers from C. to A., whether at age 45 or age 55 (or for that matter any other age) he will, at 65, get the same pension as X., namely, £2,000 per annum. Why? One forgot to mention that C. is a wholly-owned subsidiary of A., the two companies share the same pension scheme, and changing employment from A. to C., or C. to A., howsoever often it occurs, has no effect whatever on the pension scheme rights of the employee who so changes!

(To be concluded.)

Setting up Business in Italy

CONTRIBUTED

UNTIL fairly recently the Italian economy was predominantly agricultural. Now, if agriculture, industry and services are measured in terms of the net product of each sector, agriculture is represented by 19·8 per cent, industry by 47·0 per cent, and services by 33·2 per cent. The aim is towards a more advanced economic development, and with this object in view the Italian Government encourages the investment of foreign capital and the establishment of foreign-owned businesses.

Special inducements are offered to industrialists in the underdeveloped parts of the country where there is a low standard of living and a high level of unemployment. Broadly, this means Southern Italy and the islands of Sicily and Sardinia, but assistance is also available in parts of Northern and Central Italy and in Trieste. The extent of the assistance varies from region to region, but it is of sufficient significance to influence the choice of location.

Range of Assistance

In Southern Italy exemption from normal income tax (*imposta di ricchezza mobile*) for a period of ten years is allowed in respect of the income of a company which has been derived from a new investment or the conversion of an old one. And exemption from income tax is also allowed until 1965 in respect of half the profits of a company which are directly invested in the construction, extension or conversion of industrial plant. There is exemption from customs duty on materials and machinery which are imported for use in new or extended plant, and a reduction in turnover tax on the purchase of materials and machinery so used. There is total exemption from certain registration taxes, total or partial exemption from local taxes, and a reduction in consumer tax on electric power.

The Cassa per il Mezzogiorno – a Government agency responsible for the financing and execution of public works which aim at improving the infrastructure of the South Italian economy – makes grants to small and medium-sized industries, and to larger industries in industrial development areas of (i) up to 25 per cent of the expenses incurred in building work and road construction; and (ii) up to 10 per cent of the purchase price of the machinery and equipment to be installed in a plant, where there has been no exemption from customs duties.

In addition to grants, medium-term loans at low rates of interest are made available by special credit institutions (which derive their funds from Cassa) to facilitate industries setting up in the South. Loans not exceeding 70 per cent of cost for fifteen years at 3 per cent are available for the construction of new plant and the extension of existing plant; and loans not exceeding 75 per cent of cost for five years at 5·5 per cent for the purchase of machinery and equipment. There are also loans for the purchase of raw materials and stocks, but there are ceiling figures in all cases, and the aggregate of grants and loans cannot exceed 85 per cent of the investment.

Inducements to new industries in Northern and Central Italy are not quite as extensive as those available in the South. But handicraft and other small industries established in municipalities which are considered to be economically underdeveloped are exempt from all direct taxes on income and from municipal taxes, while credit institutions are empowered to grant loans, as in the South, to undertakings having a capital of 1,500 million lire and not more than 500 employees.

Corporate Structure

Apart from companies which have the same structure as limited partnerships (except that the holdings of the partners are represented by shares), there are two types of company known to Italian law: the *Soceità per Azioni* (S.p.A.) and the *Società a Responsibilità Limitata* (S.R.L.), which correspond to the British public and private company, respectively.

An S.p.A. can be established by private or public subscription. In the case of private subscription the *atto costitutivo* (memorandum of association) and the *statuto* (articles of association) are drawn up before a public notary. In the case of public subscription the prospectus is filed with the notary, after which subscriptions can be accepted. A meeting of subscribers is then called which draws up the constitution of the company along the lines laid down in the prospectus. In either case the entire capital of the company (which must be not less than 1 million lire) must be subscribed, and at least three-tenths of the cash amount must be paid into an account in the company's name at the Banca d'Italia. Where the capital exceeds 500 million lire the consent of the Italian Treasury is necessary, and there are special laws governing the incorporation of banks, insurance companies and the like. The establishment of the company is subject to ratification by the Court. When the Court has approved the certificate of incorporation the company is incorporated and acquires a legal personality.

All shares must be of equal value but may carry different rights. Except in Sicily, Sardinia and the Trentino-Alto Adige district, where bearer shares may be issued, all shares must be in registered form. A curious feature is that if all the shares of a company are owned by one individual or company, the single shareholder is responsible for all the liabilities of the company, although two or more shareholders are only liable for the amount of subscribed capital. The company itself is liable for its obligations to the extent of its assets.

Italian law provides extensive protection for minority interests on the lines of section 210 of the United Kingdom Companies Act, 1948, but goes further. For example, if a resolution is proposed to alter the company's objects or to convert it into a S.R.L., any dissenting shareholder may require the company to buy out his shares at the current market price.

Directors are appointed for periods not exceeding three years by the shareholders in general meeting and may be removed by special resolution. Meetings are either ordinary or extraordinary. Ordinary meetings are held annually to approve accounts and declare dividends. Extraordinary meetings are called for special purposes, such as increasing the company's capital. Resolutions are passed at an ordinary meeting by the votes of the holders of a majority of the shares represented at the meeting. At an extraordinary meeting a resolution is passed only if the holders of more than half the company's capital vote for it. A shareholders' meeting may empower the directors to do any act in the company's name which is within the scope of the company's objects.

Every S.p.A. must have a committee of three to five auditors who are appointed by the shareholders in general meeting at the time when the company is formed. Companies with a capital of more than 50 million lire must select at least one auditor (when there is a board of three) or two (when there is a board of five) from the official list of registered auditors. Italian law requires auditors to attend board meetings and to carry out a quarterly check of the company's cash and investments.

An S.R.L. must have a minimum capital of 50,000 lire, which must be divided into quotas of not less than 1,000 lire each. Such quotas, however, do not necessarily have to be of equal amount; for example, one quota-holder may hold a quota with a nominal value of lire 49,000 and another a quota with a nominal value of lire 1,000 in the same company. An S.R.L. cannot issue bonds or shares in bearer form, but unless the articles so provide there is no restriction on the transfer of quotas. Directors may be appointed for longer periods than three years, and unless the capital exceeds 1 million lire there is no need to have a panel of auditors. A resolution is passed at ordinary meetings if holders of more than half the company's capital vote for it, and at extraordinary meetings if holders of at least two-thirds of the capital vote for it.

Taxation

Italian tax law does not discriminate against foreigners, but the multiplicity of taxes can be rather baffling. However, as a percentage of the gross national product the tax burden is lower in Italy at 28 per cent than it is in the United Kingdom at 29 per cent or in Germany at 34 per cent.

There are four categories of what are called 'schedular taxes'. The first three relate to undeveloped land, buildings other than industrial

premises, and income from farming, respectively. These will not be referred to further. The main schedular tax is income tax (*imposta di ricchezza mobile*) of which there are three categories, A, B and C. Category A is a tax basically of 26 per cent (but, including surcharges, effectively of about 30·5 per cent) on income derived from pure capital, such as interest on mortgages, loans, bonds and debentures, but not dividends which are treated as part of company profits. Category B is a tax at progressive rates from 20·7 to 27·6 per cent on income derived from commercial and industrial operations, profits from speculation and royalties from the exploitation of licences, designs and patents. Deductible expenses are not dissimilar to those permitted by section 137 of the United Kingdom Income Tax Act, 1952, and losses may be carried forward for a period of five years. Category C (i) is a tax on income from self-employment, while Category C (ii) corresponds to P.A.Y.E. in Britain, except that the rates of taxation are about 9·2 per cent for white-collar workers and about 4·4 per cent for labourers, based on the residual income after generous deductions. In general, capital gains are taxed as if they were ordinary income.

In addition to the schedular taxes, corporation tax (*imposta sulle società*) is payable by all companies incorporated in Italy. The rates are: (*a*) 0·825 per cent of the issued capital plus reserves, and (*b*) 16·5 per cent of all company income (including profits, interest, rent and dividends but after charging Category B tax assessed) in excess of 6 per cent of the total capital and reserves. The computation of taxable income for assessing this tax follows different rules from those relating to income tax and losses may not be carried forward. In the case of holding companies which fulfil certain requirements the rate is reduced by one-quarter.

Companies must also pay a large number of provincial and municipal taxes. The combined rate of these amounts to about 6 to 10 per cent, but there is a further contribution to the local Chamber of Commerce, varying from 1·5 to 3·5 per cent according to location.

Depreciation provisions are generous in Italy. Permitted annual rates for plant and machinery vary from 7 to 12 per cent of cost. Allowances additional to normal depreciation may also be claimed in the first four years up to a total of 40 per cent, but not exceeding 15 per cent in any one year. For industrial buildings the rates vary between 3 and 6 per cent of cost. Depreciation allowances for buildings are also given on the cost of the land on which the building stands, provided such land and buildings are recorded in one amount in the company's books.

Italian law requires 5 per cent of yearly profits to be appropriated to reserves until the reserves equal 20 per cent of capital. It also requires losses to be written off against capital or increases of capital, so that the losses do not exceed one-third of capital. Moreover, the net excess of capital over losses must not fall below the minimum amount of capital required by law (50,000 lire for an S.R.L. and 1 million lire for an S.p.A.).

Although the computation of income taxes etc. is established by law, in practice the Italian fiscal authorities nearly always assess companies in larger (frequently very much larger) amounts than the law provides, and the agreement of tax liabilities is the outcome of negotiations with the authorities as a result of which the taxpayer often pays more tax than his results justify.

There is a double tax convention with the United Kingdom and certain other countries.

In the realm of indirect taxes the most important is the turnover tax (*imposta generale sull'entrata*) which is basically a 3·3 per cent duty on payments for goods and services. This tax is cumulative and is applied at each stage through which goods pass on their way to the consumer, including certain transfers within an integrated business, e.g. from a company's factory to its retail (but not wholesale) outlets. Bread, milk, newspapers and periodicals are exempt from the duty, foodstuffs bear a reduced rate, and luxuries, like furs and jewellery, an enhanced rate which may be as high as 8·30 per cent. Imports are subject to the tax, but goods for export are exempt.

In addition to the general turnover tax there are special taxes on petrol, sugar, thread, alcoholic beverages, coffee, cocoa, advertising (4 per cent), electricity and gas; and a whole network of local commodity taxes – which vary widely from place to place – and yield about one-third of local government revenue. Finally, there are the registration taxes which are payable on the registration of companies, contracts, mortgages and other documents.

Exchange Control

For purposes of exchange control the Italian authorities divide 'foreign investments' in Italy into two groups: (*a*) investments leading to the establishment of new productive enterprises or the extension of old ones, and (*b*) other kinds of investment. Investments which are granted the

status of a productive enterprise are permitted to transfer freely abroad without limit interest, dividends and profits; and also to transfer freely abroad the capital derived from the sale of any asset, even if it has yielded a capital gain. In addition, such enterprises are entitled to certain borrowing rights and may contract medium- and long-term debts in Italy and issue debentures on the capital market, but all such borrowings must be reported to the Ministry of the Treasury at the time they are made.

In the case of non-productive enterprises, interest, dividends and profits may be transferred freely abroad up to a maximum of 8 per cent per annum of the invested capital, and capital derived from the sale of assets may be repatriated up to an amount not exceeding the foreign exchange imported, but not before two years have elapsed since the investment was made. However, sums in excess of these limits may be reinvested in other projects, or may be transferred abroad through a capital account. As funds between capital and foreign accounts are at the moment freely interchangeable, it is possible to transfer abroad money which has been placed in a capital account at the official rate of exchange. But should the right to transfer funds from a capital to a foreign account be withdrawn, funds placed to a capital account will only be negotiable at a free, as opposed to the official, rate of exchange.

Social Security

All wage earners are insured against old age, industrial injury, sickness and unemployment, and family allowances are also administered on an insurance basis. Benefits are fairly generous and account for about 14 per cent of consumption expenditure as compared with about 11 per cent in the United Kingdom. In the case of old age, unemployment, infirmity and death benefit, the employer's contribution is 17·1 per cent of the payroll and the employee's contribution 6·35 per cent. In the case of sickness and maternity benefit the employer pays 10·74 per cent of wages and the employee 0·15 per cent. There is also a special housing contribution of 0·70 and 0·35 per cent payable respectively by employer and employee. No other significant contribution is payable by the employee but the employer pays an average of 3 per cent of wages in respect of industrial injuries, and 17·5 per cent on a maximum amount of 65,000 lire per month for each employee for family allowances. (With effect from July 1st, 1964, the 17·5 per cent may have to be calculated on the employee's total earnings.) The employer's total contribution, in the case of a manual worker, averages about 50 per cent of the payroll, or somewhat less in the case of a clerical worker.

Family allowances in Italy are paid to workers who are heads of families and have to support a wife, children, parents or other persons expressly contemplated by law. Such allowances are also paid to foreign workers who immigrate to Italy, even if the persons to be supported reside in the country of which the workers are nationals, provided there is reciprocity of treatment by such country and subject to international convention.

There is compulsory severance pay to employees at varying amounts, but generally one month's pay at the latest remuneration rate for each year of service. There are also compulsory Christmas bonuses of one month's pay, and midsummer bonuses which will increase over the next two years to a further month's pay. Unusually long periods of notice (or payment in lieu) are required to be given to dismissed employees, especially senior executives.

Employment of foreign personnel in Italy is subject only to the granting of a residence permit for work purposes by the Italian Ministry for Home Affairs. To obtain such a permit the interested parties must file with the Ministry a declaration by the Regional or Provincial Labour Office that there are not available in the district Italian unemployed workers able to perform the work for which the alien is required.

General

Financial assistance for industrial development in Italy takes many forms and detailed advice and assistance can be obtained from the Banca d'Italia or from any of the leading commercial banks. Operating costs are higher in the North than the South, but though the effect of Government policy to develop the South has been to check, and possibly reduce, the gap between the two halves of the country, the South still remains backward. Transport and educational facilities are poor and labour, though plentiful, is generally unskilled.

Industry has indeed come to the South, but most of it is large scale and is to be found in islands. Outside these pockets industry tends to be small scale and general prosperity has not yet percolated through the whole of the South. Consequently, for an industry wishing to operate on a large scale in Italy, but dependent in the main on a broad-based home demand, the North might still offer the better prospects.

Integrated Planning and Control

by B. J. M. EDMUNDS, F.S.A.A., C.A.(S.A.), A.C.W.A.
General Machine Distribution and Administration Manager, Marketing Department
Massey Ferguson (U.K.) Ltd

The substance of a paper presented last week at the Fifth West European Regional Conference of The Institute of Internal Auditors at Great Malvern.

RIGHT at the start of this paper I must, of course, remind you that the techniques which I propose to enumerate and illustrate need to be modified to suit the circumstances of the particular firm or enterprise to which you may wish to apply them. It is rightly said that a costing system must be tailor-made for a particular enterprise. Similarly the concept of integrated planning and control must be applied in the way which will best suit the firm and the personalities within the firm.

Definitions

Integrated planning and control (I.P.C.) may be defined as:

> 'a set of annual planning and control practices which continually focus attention on the improvements which are brought about by the action of individual managers.'

Implicit in this definition is the belief that a manager does not earn that title merely by applying his technical skill or experience to solving day-to-day problems. A manager is one who brings about significant changes to improve the operation for which he is responsible.

This involves:

(i) deciding in advance what results he intends to achieve;
(ii) planning definite steps by means of which he proposes to accomplish his objective;
(iii) carrying out the programme and making sure that the desired results are achieved.

The basic characteristic of integrated planning and control is therefore the acceptance by managers, individually and as a team, of their responsibility for seeking, planning and achieving improved performance.

This, then, is the concept which we have labelled I.P.C. and which we have used to increase the effectiveness of conventional budgetary control and planning process. We have made it part of the everyday thinking of individual managers by:

(i) relating the plans of managers to the activities for which he is responsible;
(ii) emphasizing the continuous responsibility of each manager for seeking opportunities to improve performance;
(iii) emphasizing the importance of avoiding (as far as possible) panic situations by advance planning;
(iv) integrating the objectives developed by each manager with the most effective means of achievement;
(v) evaluating each manager's plans in terms of its impact on profits and assets employed;
(vi) introducing into each manager's planning the commitment to achieve his objective.

For the rest of the paper I propose to discuss the steps in introducing I.P.C. in an imaginary firm. I shall discuss this under the headings of

(i) Deciding the installation procedure.
(ii) Introducing the concept and practice of I.P.C.
(iii) Consolidating the advances made and correcting deficiencies in the installation.

Deciding on Introductory Plans

There are many ways in which integrated planning and control can be introduced, but if the concept is to be successfully launched it will all be based on a planned installation procedure. The degree of success may well be determined by the care with which the initial planning is done (refer back to the definition of a manager).

For the sake of simplicity let us call the three most likely alternative methods of introducing I.P.C.:

(*a*) the top down approach;
(*b*) the step-by-step approach;
(*c*) the full-scale approach.

The approach chosen will depend on the relative importance of many factors affecting the firm's operations and on the reasons why I.P.C. is being introduced. In a firm which is stagnating or where it is vital that a new enthusiasm be injected the full-scale approach might prove to be the best, despite its disadvantage in terms of the time-consuming effort required. In other cases, where perhaps the firm needs to solve certain organizational problems, it might be preferable to use the step-by-step approach with the steps selected and arranged to assist in solving the particular problems.

On the other hand, in a heavily capitalized industry where decisions take years to come to fruition it might be best to start at the top and after successfully introducing the idea at that level to introduce all aspects of I.P.C. at successively lower levels.

In our imaginary firm, we will assume that top

management have decided upon a step-by-step approach and have also decided to take the steps in the following order:

(1) introduce planned action programmes to improve profits;
(2) install control mechanisms to ensure that planned improvements in profits are achieved;
(3) introduce revised action programmes to capitalize on favourable circumstances or overcome adverse conditions;
(4) analyse and define responsibilities for key activities;
(5) develop criteria for assessing performance in key activities.

Step 1 – Planned Action Programmes

All managers with responsibility for planning and initiating action are asked to develop specific action programmes (see Example A) to obtain a significant improvement in profits. Each manager has therefore to:

(1) review the activities for which he is responsible;
(2) decide where opportunities exist that will enable him to make a contribution to improved profits;
(3) select from perhaps a number of opportunities those that will best repay his efforts, recognizing the probable limitations in men, machines or money that exist and his own capacity for planning and implementing changes;
(4) define the particular objectives which he has selected;
(5) review alternative methods of achieving his objectives. Select the best method and plan the detailed steps required to obtain his goal. Specify the action required, the timing and the persons responsible for each critical step in the programme;
(6) assess the impact of his plans on profits and in terms of changes in the assets to be employed;
(7) submit his proposed plans to his superior for review.

I must emphasize at this stage that these action programmes must be carefully thought out propositions. In many cases the simple statement in clause 5 will entail considerable and detailed investigation to establish and evaluate alternative courses of action.

Example A – Action Programme

Background information

The machine accounting section has been in operation for some eight years. The accounting machines have now reached the point where repeated breakdowns are affecting the service given. It is no longer economical to continue to repair obsolete and worn out equipment.

Objective

To install modern punched-card equipment to replace the keyboard equipment and by this means achieve significant economies in operating costs while maintaining or improving the services given.

Method	*Responsibility*	*Timing*
(1) Define accounting requirements.	Accounting manager	February 1965
(2) Invite manufacturers to devise systems and recommend machinery requirements.	Accounting manager	March 1965
(3) Evaluate manufacturers' proposals and select most suitable proposition.	Accounting manager and comptroller	May 1965
(4) Develop detailed systems and define machine specification.	Accounting manager	August 1965
(5) Obtain board approval for leasing commitment.	Comptroller	September 1965
(6) Recruit data processing manager and train selected staff.	Accounting manager and personnel manager	November 1965
(7) Install new machinery and test systems in tandem with existing methods.	Accounting manager	December 1965
(8) Scrap existing machinery and redeploy staff.	Accounting manager and personnel manager	January 1966

Impact on profits and assets employed (£)	*This Year*	*Next Year*	*Future Years*
	£	£	£
Rental of punched-card machinery	700	8,500	10,000
Salary for data processing manager	250	1,500	1,750
Provide suitable accommodation	1,000	—	—
Reduction in staff	—	*7,000*	*15,000*
Reduction in maintenance costs	—	*2,000*	*2,000*
Increase/*decrease* in operating costs	£1,950	£1,000	*£5,250*

In developing his action programmes, each manager must consult with any other department that may be affected either as a result of his actions or in order that the other departments may develop complementary plans to support the major programme.

From the action programmes developed and submitted top management can obtain a clear picture of the results to be achieved and the action necessary to attain the objectives. Top management can assess these to decide whether:

(i) the total improvement in profits is acceptable;
(ii) individual objectives are demanding but attainable;
(iii) the objectives and plant are consistent with the firm's policies and goals;
(iv) the proposed action will achieve the stated objective.

The accepted action programmes provide the control against which future performance can be measured.

Developing the Profit Goal

The sum total of the action programmes determine the profit improvement that is to be made as a result of management action. This is not, however, the total profit (or loss) to be made by the firm – a certain profit level would have been reached in any case simply through the momentum that exists in the firm.

The total profit can be forecast by taking together:

(1) the profit to be earned in the current year;
(2) any changes in profits which will result from action already taken;
(3) any changes in profits which will result from changes in the environment in which the firm operates;
(4) the profit to be obtained by management action.

From the statement shown in Example B, top management can clearly see:

(i) what profit they would earn if they did nothing;
(ii) what action is being taken and how this can improve profits.

Example B – Profit Impact Summary

	£000s	£000s
Estimated profit for 1964		2,175
Carry-over effect of decisions made in 1964		
(a) Additional cost of wage award granted June 1964	350	
(b) Full year effect of new product introductions	524	
(c) Increased costs resulting from change in fuel tax	85	
(d) Amortization of capital and tooling expenses in 1964	107	
(e) Increased development expenditure authorized	92	
	£110	
Changes in the External Environment		
(i) Increased total demand for products	217	
(ii) Estimated cost of wage awards in 1965	250	
(iii) Rise in price of materials ..	400	
	£433	
Total planning assumptions		543
1965 Planning base		1,632
Management action		
(1) Improve market penetration ..	320	
(2) Increase prices	217	
(3) Reduce product costs	156	
(4) Improve administrative efficiency	30	
		723
1965 Planned profit		£2,355

Step 2 – Install Control Mechanisms

Planning for improved profits through the medium of the action programme becomes a mere paper-chase unless there is an adequate follow through to ensure that the proposals are implemented and the agreed objectives are achieved.

While the normal budgetary control reports and financial analyses provide a mass of important information it is also necessary to check the specific actions to be taken in each programme.

Special reports (see Example C) are needed to focus top management attention on the action being taken and to show where results may be deviating from plan. The form and content of these reports will naturally depend upon the information to be imparted but they should all contain these common elements:

(i) they should be submitted by the person responsible for planning and initiating the action (even though the detailed collation of the information may be the responsibility of a central accounting group);
(ii) they should compare the results achieved with those planned;
(iii) they should draw attention to any significant events which may affect the final outcome of the plan;
(iv) they should propose new action programmes or revision to existing action programmes to offset unfavourable factors or capitalize on favourable circumstances.

Example C – Marketing Control Report

Significant statistics	*Plan*	*Actual*
Total gross sales	£m25·7	£m27·2
Product A:		
Total industry volume ..	£m39	£m40
Firm's share of total volume	24·6%	25·3%
Product B:		
Total industry volume ..	£m27	£m25
Firm's share of total volume	12·8%	12·2%
Total marketing expense ..	£m0·503	£m0·497

Significant events	*Impact on the firm*
(*a*) Major competitor X. has increased prices by $2\frac{1}{2}$ per cent	This is 1 per cent more than we expected when developing plans and will enable us to make larger price increases than planned.
(*b*) New competitor Y. has introduced new product very similar to our new product introduced last year.	Prices are comparable but quality of their sales promotion will inevitably damage our market penetration.

Major action programmes

(1) Sales promotion plans to improve market share are proceeding and except for Product B are achieving their objectives.

(2) Price increases will be announced next month and will be $\frac{1}{2}$ per cent higher than plan because of major competitor X.'s action. This will realize an additional £67,000 profit.

Step 3 – Analyse Key Activities and Define Responsibilities

In every firm there are certain key activities which must be performed if the firm is to prosper. A little superficial thought will indicate something like this:

(i) designing;
(ii) manufacturing;
(iii) selling;
(iv) dispatch and shipping;
(v) accounting;

and so on.

This does not, however, define sufficiently clearly the activity that must be performed nor, because of its global nature, does it enable anyone to pinpoint the person responsible. The usual form of job specification is little help in this respect as it does not clearly indicate the results which are expected to flow from the individual's actions.

The analysis of key activities and definition of responsibility is a systematic effort to define and allocate to an individual manager the primary responsibility for each key activity. In some instances other individuals will have a secondary responsibility to advise or a right to be consulted and this factor must also be indicated. Example D shows how this responsibility analysis has been made for one key activity.

Example D – Analysis of Key Activities

	Divisional Responsibility						
	Mktg.	Eng	Manufr.	Shipping	Compr.	Personnel	Admin.
D.8 *Ship finished product to customer*							
8.1 Release orders for shipment	X				O		
8.2 Raise shipping documents				X			
8.3 Pack finished product			X	O			
8.4 Transport to customer				X			
8.5 Invoice and secure payment	O				X		

	Manufacturing Responsibility					
	Prod.	Facilities	Buying	Quality Control	Accounts	Personnel
→8.3 *Pack finished products*						
Determine packing requirements	O	X	O	O		
Purchase packing materials			X	O	O	
Assemble shipments	X			O		
Pack shipments	X			O		

X=Responsibility for action.

O=Responsibility to advise or take complementary action.

This analysis of the key activities can serve many uses. It provides a clear definition of responsibility, acts as a check list against which performance can be reviewed and provides a basis for developing an information structure which will enable performance to be more readily assessed.

While it can be prepared in many ways we have found that it is best done when a detailed chart is drawn up and then consolidated into a manageable document rather than by an analysis 'from the top'. Each activity must be analysed until one manager, and one manager only, can be identified as having responsibility for initiating action (beware, however, of including insignificant detail).

Step 4 – Criteria for Assessing Performance

In order to determine whether performance in any of the key activities can be improved we must have some criterion by which to judge present performance. In many instances an experienced manager will reply on his observations and on past experience of acceptable performance to make this judgment. In some instances it is impracticable to do anything other than rely on a subjective judgement.

Where we rely on such subjective judgements it is difficult for the superior to determine whether the judgement is sound – and a contrary opinion may appear to the subordinate to be unrealistic or arbitrary.

It is desirable, therefore, in the interests both of efficiency and good relationships to have some agreed criteria by which performance can be judged. In each case at least two such criteria should be established so that an improvement in one aspect is not obtained at the undue expense of another facet of the activity.

For example, one might decide that a criterion for measuring the performance of the preventative maintenance activity would be the number of breakdowns of the machinery being maintained. Unless the cost of this preventative maintenance is also set in the scales you might find that breakdowns are being avoided but maintenance costs are becoming excessive.

Consolidating the Position

Integrated planning and control is not a procedure. It is a way of running the business.

Because it is part of the business, integrated planning and control practices will tend to merge with the firm's operations and the various aspects of I.P.C. will wax and wane as the firm's circumstances change. I.P.C. must grow with the firm. Its practice must be kept constantly under review to ensure that it does not become simply a way of filling in the forms that the accounting department want for the annual budget.

It will take time for I.P.C. to become fully effective, three years is not an unconscionable time to allow. It will cost money and above all it will take up the time and effort of all the managers who participate.

Weekly Notes

ACCOUNTANT M.P.s

IN our issue of October 10th we listed thirty-two accountants nominated as candidates for Parliament in the General Election; in the event, thirty-seven stood of whom only seven were successful. They are:

Mr J. BARNETT, F.A.C.C.A., Labour Member for Heywood and Royton.

Major W. GIBSON CLARK, F.A.C.C.A., Conservative Member for Nottingham South. M.P. for this constituency since 1959.

Mr JACK DIAMOND, F.C.A., Labour Member for Gloucester. M.P. for this constituency since 1957. Last Tuesday Mr Diamond was named as Chief Secretary to the Treasury in the new Government.

Mr ERNEST MARPLES, P.C., F.C.A., Conservative Member for Wallasey. M.P. for this constituency since 1945; Minister of Transport 1959–64.

Mr BRUCE MILLAN, C.A., Labour Member for Craigton, Glasgow. M.P. for this constituency since 1959. Mr Millan was named last Tuesday as Parliamentary Under-Secretary for Defence, R.A.F., in the new Government.

Mr R. J. POUNDER, M.A., A.C.A., Ulster Unionist Member for Belfast South. M.P. for this constituency since October 1963.

Mr F. H. TAYLOR, F.C.A., Conservative Member for Moss Side, Manchester. M.P. for this constituency since 1961.

The reduction in the representation of the profession in the new House of Commons from ten to seven members is to be regretted, not only from the point of view of the profession itself, but also from that of the wider public interest. It is eminently desirable that the House should at all times contain as representative a membership of all facets of the community as possible. The marked numerical predominence of the legal profession cannot always be regarded as adequate compensation for the much more limited representation of the other professions.

The accountant is eminently well qualified to represent the views of industry and commerce, not least on the important technical matters which are the staple diet of the all-important Committees as distinct

from the major debates in the House in which generalized statements are the pattern. This is especially the case during the passage of the Finance Bill.

Government spokesmen have the benefit of the advice and experience of the Inland Revenue; in the absence of comparable expertise among M.P.s, it must be left to lay members to try and raise issues and points on clauses which at best can only be imperfectly understood by the non-expert. Since it is the avowed intention of the new Government to use fiscal policy to generate more rapid economic growth, it seems all the more regrettable that the profession is so thinly represented. Of course, it is some consolation that Mr Diamond and Mr Millan both hold Ministerial posts in the new Government.

NEW P.A.Y.E. CODES

THE Inland Revenue is shortly to begin issuing notices of P.A.Y.E. coding for 1965–66. These will, in general, show much higher code numbers than the current ones, not because taxpayer's personal allowances are being increased (or their liability to tax reduced), but because the Inland Revenue have decided to adopt a new set of codes which will be administratively easier to apply.

For one thing it has been found that employers on a large scale who use computers to process their payrolls have met with difficulties in the application of the present P.A.Y.E. coding. It is perhaps part of the general process by which our lives are being ruled more and more by machines.

However, apart from the machines, the new list of code numbers will be more flexible. With each coding notice will be a table showing the code number equivalent for each scale of personal allowances, so that the recipient can check whether his new code is right – mistakes can be made. However, unless there is to be a change in his personal allowances for 1965–66, the coding notice will not tell him how the total allowances are made up.

The task of issuing millions of coding notices is obviously a large one and must be started well before 1965–66. It is important to appreciate, therefore, that these notices have no reference to 1964–65, and the recipients of them must not expect a large (or any) repayment of tax in 1964–65. As to what is to happen to 1965–66 income tax generally, that must presumably await the next Budget.

LARGE TRADE GAP

THE September external trade figures have come as a reminder that economic problems do not wait for General Elections. At the week-end it was announced that exports for September calculated on a f.o.b. basis and seasonally adjusted were £346 million compared with £370 million in August. The corresponding import figures on a c.i.f. basis were £471 million and £479 million. Re-exports were unchanged on a f.o.b. basis of £14 million. This gives a difference of £111 million compared with £97 million which was the average for the third quarter of 1964.

The estimated trade gap for September is put by the Board of Trade at £59 million compared with £49 million in the previous month. This trade balance figure compares imports and exports both calculated on a f.o.b. basis and includes certain items not covered by the crude trade figures.

Nevertheless the fact remains that the trade balance has worsened over the summer months since June and that the main cause is a decline in exports. The September figure seasonally adjusted is lower than the first, second and third quarter averages and indicates that a major effort to raise this country's exports is now imperative.

R.P.M. ACT REVIEWED

THE Resale Prices Act which was passed last July has not yet been put widely to the test but if the views of Professor Yamey, as set out in the new edition of his Hobart Paper,[1] are correct then it may well be found wanting. Professor Yamey makes several criticisms, in particular the fact that the register of goods subject to r.p.m. will not necessarily give, and is not likely to give, a complete listing of all price maintaining manufacturers taking advantage of the provisional exemption pending the decisions of the Court. This incompleteness of the register is, in the author's view, likely to inhibit some retailers who might wish to reduce prices since they would not know which suppliers had discontinued their r.p.m. Professor Yamey feels that an opportunity has been missed for the compilation of a complete record of all manufacturers who will be continuing r.p.m.

Any exemption order under the Act will relate to the class of goods and not to the manufacturers who at the time of the proceedings were practising r.p.m. in respect of those goods. The author thinks it would be possible for other manufacturers of the same class of goods subsequently to introduce their own r.p.m. on the strength of the Court's order. He further asserts that a situation may arise in which the Court gives its blessing to r.p.m. under the 1956 Act but condemns it under the 1964 Act. This could happen if proceedings under the two Acts were kept separate and the solution in his view to this problem would be to undertake joint proceedings under the two Acts.

R.P.M. IN CAR ACCESSORIES

THE Society of Motor Manufacturers and Traders announced last week that most of its 2,000 members will not register their products for exemption from the operation of the Resale Prices Act. But it is not believed likely that car prices will suddenly fall. The Board of Trade is thought unlikely to put

[1] *Resale Price Maintenance.* Institute of Economic Affairs. Price 6*s* net.

the relative Order through which will bring the Act into operation before December at the earliest and car manufacturers take the view at present that their contracts with dealers will operate until the new Order comes into force. A form of price competition has, of course, always existed through variations in the price at which second-hand cars are traded in.

The first move has been made, however, in car accessories. A grocery chain in the North-west of England has indicated that it is going to stock and cut the price of car accessories. This group has already made one attempt to cut prices on batteries and sparking plugs before it was protected by the new legislation. This may be the forerunner of a move by other supermarkets into this field. If such a policy were carried to its conclusion, retail stores might in due course be selling motor-cars. It could happen.

This is My Life . . .

by An Industrious Accountant

CHAPTER 247

NORMAL insurance policies rarely present many problems as they have usually been well vetted over the years by experts within and outside the staff, but consequential loss, or loss of profits as it's also known, was rather a bogey to me at first. As a young auditor there had been little to do but vouch the annual payment in the client's books, having first asked innocuously if the cover was adequate; but it's a different problem for the accountant in industry.

Our C.L. policy came up for renewal when I'd been in my present job for three months or so, so I checked back on the file to trace the make-up of the amount on risk. There was no such make-up to be found. A few unidentifiable figures in my predecessor's familiar scrawl, ranged under cryptic initials, were all that turned up, so I decided to plan an up-to-date calculation for the renewal.

It wasn't as easy as you might think. Nobody in the office had a glimmer of information about it, owing to my aforesaid predecessor being notoriously secretive; on principle he always excluded his subordinates from knowledge of such sacrosanct figures as final net profits. Textbooks were equally unhelpful. My secretarial manual skimmed over the subject, contenting itself with a lordly reference to the company secretary's entire responsibility for ensuring adequate cover at all times. *Munro's Book-keeping and Accounts* was as bad, becoming involved early on with 'Free of Particular Average' complications and ignoring loss of profits, and my correspondence college booklet was short of any realistic detail.

So I consulted the senior in charge of our interim audit. That elderly plodder peered owlishly through his spectacles and regretfully disclaimed all knowledge. Not his field at all, he explained. However, their junior partner was reputed to know something about it, having actually prepared a claim ten years or so ago; perhaps I'd better visit him for a discussion. This advice I rejected, I'm sorry to say, on the grounds that the junior partner, a taxation expert, knew nothing of our highly-specialized business.

Instead I discussed the policy with the manager of our local insurance company, a cheerful contemporary of mine whose main joy in life was golf. 'Put down any figure you like, old boy', he said cheerfully. 'Fire and motor-cars are my specialities, you know; head office looks after consequential loss. They'll accept whatever total you want . . . how about joining a fourball on Saturday?'

So I thanked him courteously and settled down to a study of net profit plus standing charges. Rates – discounts – renting alternative premises – directors' bonuses? Obviously the basic problem lay in the wages and salaries item; in the event of our being burned out one night – total loss and all that – what staff would we retain? On full pay, or on half-pay? For how long? Six months, or twelve? Golden handshakes? Wages could be lumped into the total figure or alternatively covered as a separate item on a *pro rata* basis.

I asked the managing director for his views but he was surprisingly vague. It would depend on the circumstances, he indicated; play it by ear for choice. Better estimate a round figure rather than commit ourselves at this stage.

Temporarily baffled, I invited our senior accounts staff to an uninhibited conference and we had an enjoyable session arguing every standing charge in turn. The junior audit partner, belatedly invited after all, turned out to be a tower of strength; he answered several tricky questions and confirmed our groping approaches. After all, at this stage it could only be 'guesstimate' work, but the rate of premium per thousand pounds was very low. Play safe, take a two-year term, not to worry about petty detail.

We finally fixed a list of totals which the insurance company accepted without question. Over the years they've been escalated occasionally in rather arbitrary fashion, so when I examined the file recently, after a long interval, I found some unidentifiable figures in my own scrawl and a lot of cryptic initials which didn't seem to make much sense. (However, it's reassuring to know there's more specialized literature on the subject these days.)

Finance and Commerce

Rank Organisation

IN stating that this week's reprint is from the report and accounts of The Rank Organisation Ltd, the accent must be placed on 'from'. The report runs to seventy-five pages and all that had to be done to meet entirely the recent directives and suggestions of the London Stock Exchange on company reporting, was to repeat a statement made in 1955 concerning the controlling interest in the company.

That statement is to the effect that 53 per cent of the ordinary shares of the company, representing Lord Rank's and Lady Rank's original holdings, is owned by Odeon Cinema Holdings Ltd, which in its turn is owned and controlled by Film Development & Research Ltd and the trustees of the J. Arthur Rank Group Charity, to whom these interests were given by Lord Rank and Lady Rank in 1955.

In addition to a 'Ten-year Financial Review' providing the main profit and capital items over that period, the accounts also include the five-year 'Analysis of Sales and Profits' which is included in the reprint. This shows, if the necessary additions are made, how the group – although increasing its earnings from cinemas and from film production and distribution – is now earning the greater part of its profit outside the film industry.

Miscellaneous Activities

The sum of the first four items under 'Sales and Profits' shows the trend. Over the five years, cinema and film profits are up from £3,356,000 to £5,245,000 but those profits as a percentage of the total are down from 65·5 per cent to 46·3 per cent.

Without this essential break-down of sales and profits the true trend within the group could not have been appreciated. There will, however, clearly come a time when, if the policy of providing the fullest possible information is carried through, there will need to be a further profit break-up.

The 'Miscellaneous Activities' item, which accounted for £5,502,000 of sales and £234,000 of profits in 1960, accounted for £15,879,000 of sales and £1,424,000 of profits in 1963–64. It may seem hypercritical to suggest a point at which The Rank Organisation's presentation of information could be improved but, since the chairman himself acknow-

THE RANK ORGANISATION LIMITED
Analysis of Sales and Profits

£ figures in thousands	1964		1963		1962		1961		1960	
Sales	£	%	£	%	£	%	£	%	£	%
Exhibition in the British Isles	28,654	26·9	26,161	29·4	27,133	38·9	28,226	39·0	25,627	37·9
Exhibition Overseas	4,753	4·5	3,785	4·2	3,239	4·6	3,601	5·0	4,293	6·4
Film Production and Distribution	10,639	10·0	9,463	10·6	9,124	13·1	10,115	14·0	10,421	15·4
Film Studios and Laboratories	3,713	3·5	4,058	4·6	3,979	5·7	3,822	5·3	3,534	5·2
Manufacturing	27,974	26·2	27,961	31·4	18,254	26·1	19,585	27·1	18,232	27·0
Rank Xerox	14,971	14·0	6,464	7·3	2,599	3·7	1,130	1·6	673	1·0
Miscellaneous Activities	15,879	14·9	11,120	12·5	8,111	11·6	6,949	9·6	5,502	8·1
	106,583	100·0	89,012	100·0	72,439	103·7	73,428	101·6	68,282	101·0
Rank Xerox (not consolidated before 1963)	—	—	—	—	2,599	3·7	1,130	1·6	673	1·0
	106,583	100·0	89,012	100·0	69,840	100·0	72,298	100·0	67,609	100·0
Profits										
Exhibition in the British Isles	3,521	31·1	3,141	37·5	3,733	56·4	3,628	56·2	2,272	44·4
Exhibition Overseas	714	6·3	516	6·2	399	6·0	340	5·3	460	9·0
Film Production and Distribution	493	4·3	435	5·2	209	3·2	529	8·2	217	4·2
Film Studios and Laboratories	517	4·6	599	7·2	579	8·7	499	7·7	407	7·9
Manufacturing	1,281	11·3	1,315	15·7	725	11·0	1,148	17·8	1,532	29·9
Rank Xerox	3,376	29·8	1,103	13·2	29	0·4	33	0·5	(6)	(0·1)
Miscellaneous Activities	1,424	12·6	1,261	15·0	972	14·7	307	4·8	234	4·6
	11,326	100·0	8,370	100·0	6,646	100·4	6,484	100·5	5,116	99·9
Rank Xerox (not consolidated before 1963)	—	—	—	—	29	0·4	33	0·5	(6)	(0·1)
Profit before Interest Payable and Taxation	11,326	100·0	8,370	100·0	6,617	100·0	6,451	100·0	5,122	100·0
Miscellaneous Information										
Depreciation of Fixed Assets	£5,543		£3,833		£2,573		£2,273		£1,907	
Retained Profits	5,027		1,890		1,018		902		1,029	
Cash Flow	£10,570		£5,723		£3,591		£3,175		£2,936	
Expenditure on Fixed Assets	£23,819		£12,587		£7,355		£4,898		£2,589	
Exports	£19,909		£12,623		£8,892		£8,057		£6,564	
Number of Employees	45,463		40,698		33,730		32,413		31,626	
Number of Shareholders:										
Ordinary and 'A' Ordinary	27,143		24,227		17,409		8,056		6,698	
Preference	20,810		15,616		16,587		4,338		4,456	

Consolidated Profit and Loss Account for the 52 weeks ended 27th June, 1964

	Schedule Reference	£	1963 £
Trading Profit before charging depreciation		**15,795,000**	**11,218,000**
Depreciation: Buildings and Plant		2,492,000	2,208,000
Rental Equipment		3,051,000	1,625,000
		5,543,000	3,833,000
		10,252,000	7,385,000
Dividends and Interest receivable	A	1,074,000	985,000
		11,326,000	8,370,000
Interest payable	B	2,354,000	2,062,000
Profit before Taxation		**8,972,000**	**6,308,000**
Taxation based thereon	C	3,194,000	2,751,000
		5,778,000	3,557,000
Outside Shareholders' Share of Subsidiaries' Profits		1,171,000	618,000
Profit for the Period (after taxation) attributable to the Shareholders in The Rank Organisation Limited		**4,607,000**	**2,939,000**
Non-Trading and Extraneous Items, excluding amounts attributable to Outside Shareholders	D	1,658,000	3,000
Less: Transfer to Capital Reserve in respect of Property Sales (Note 4 page [525])		1,500,000	—
		158,000	3,000
Balance of Profit available for Appropriation (of which £3,408,000 is dealt with in the accounts of The Rank Organisation Limited)		**£4,765,000**	**£2,942,000**
Dividends *less* income tax of The Rank Organisation Limited			
6½% Cumulative Preference (full year)		354,000	327,000
8% Second Cumulative Preference (half year)		63,000	—
Ordinary and 'A' Ordinary	E	1,477,000	969,000
		1,894,000	1,296,000
Profit retained			
Subsidiaries		1,357,000	822,000
The Rank Organisation Limited		1,514,000	824,000
		£4,765,000	**£2,942,000**

A	**Dividends and Interest Receivable**		
	Trade Investments	880,000	794,000
	Bank Deposits, etc.	194,000	191,000
		£1,074,000	£985,000
B	**Interest Payable**		
	Debentures and other Fixed Loans	1,278,000	1,205,000
	Bank Loans and Overdrafts	313,000	474,000
	Short Term Advances, etc.	763,000	383,000
		£2,354,000	£2,062,000
C	**Taxation**		
	United Kingdom, after benefit from Investment Allowances of £1,200,000 (*1963 £600,000*) of which £250,000 (*1963 £100,000*) is applicable to outside shareholders and after relief of £270,000 in respect of prior year losses		
	Profits Tax	769,000	668,000
	Income Tax	1,897,000	1,886,000
		2,666,000	2,554,000
	Overseas	528,000	197,000
		£3,194,000	£2,751,000
D	**Non-Trading and Extraneous Items**		
	Profits *less* losses on Sales of Properties and other Fixed Assets	1,734,000	744,000
	Provisions no longer required		
	Taxation	396,000	116,000
	Realisation of Theatres	67,000	202,000
	Profit on Redemption of Debenture Stocks	75,000	76,000
	Items relating to prior years (net)	9,000	23,000
		£2,281,000	£1,161,000
	Less: Stamp Duty and Formation Expenses written off	153,000	23,000
	Written off Goodwill	30,000	655,000
	Written off Trade Investments *less* £66,000 net profits on sales	46,000	182,000
	Provisions for		
	Terminal Losses (after taxation relief £78,000)	134,000	331,000
	Experimental Relay Network Obsolescence (after taxation relief £28,000)	66,000	—
	Future Experimental Expenditure on Pay Television	250,000	—
		£679,000	£1,191,000
		1,602,000	*Loss* 30,000
	Losses attributable to outside shareholders	56,000	33,000
		£1,658,000	£3,000
E	**Dividends on Ordinary and 'A' Ordinary Shares**		
	Interim 15% paid on £6,432,000 (*1963—7½% on £5,752,000*)	591,000	264,000
	Final 11¼% proposed on £12,864,000 (*1963—20% on £5,752,000*)	886,000	705,000
		£1,477,000	£969,000
F	**Remuneration of Directors of The Rank Organisation Limited**		
	Fees	33,000	31,000
	Other Emoluments	77,000	70,000
		£110,000	£101,000
	Pension to Past Director in respect of executive services	£1,000	£1,000
G	**Remuneration of Auditors**		
	The Rank Organisation Limited	4,000	3,000
	Subsidiary Companies	104,000	91,000
		£108,000	£94,000

THE RANK ORGANISATION LIMITED

Consolidated Balance Sheet

at 27th June, 1964

	£	£	1963 £	1963 £
ISSUED SHARE CAPITAL OF THE RANK ORGANISATION LIMITED (Note 3)				
6¼% Cumulative Preference Shares of £1 each	9,996,000		8,529,000	
8% Second Cumulative Preference Shares of £1 each	2,557,000		—	
Ordinary Shares of 5/- each	3,788,000		1,894,000	
'A' Ordinary Shares of 5/- each	9,076,000	25,417,000	3,859,000	14,282,000
CAPITAL RESERVES (Note 4)				
Share Premium Account	3,940,000		6,843,000	
Other Capital Reserves	1,851,000	5,791,000	294,000	7,137,000
REVENUE RESERVES (Note 4)				
General Reserves	5,107,000		5,113,000	
Profit and Loss Accounts				
The Rank Organisation Limited	3,963,000		2,449,000	
Subsidiaries	5,847,000	14,917,000	4,496,000	12,058,000
ISSUED SHARE CAPITAL AND RESERVES ATTRIBUTABLE TO MEMBERS OF THE RANK ORGANISATION LIMITED		46,125,000		33,477,000
AMOUNTS SET ASIDE FOR FUTURE TAXATION (Note 5)		3,065,000		3,647,000
OUTSIDE SHAREHOLDERS' INTEREST IN NET ASSETS OF SUBSIDIARIES (Other than Goodwill, Patents and Trade Marks)		9,685,000		10,082,000
		58,875,000		47,206,000
LOAN CAPITAL AND BORROWED MONEY				
6⅜% Convertible Unsecured Loan Stock 1977/82 (Note 6)	1,228,000		5,750,000	
6% Convertible Unsecured Loan Stock 1983/88 (Note 6)	10,000,000		—	
Debenture Stocks, Secured Notes and Mortgages (Note 7)	17,964,000		17,557,000	
	29,192,000		23,307,000	
Short Term Advances and Acceptance Credits—mainly financing equipment on rental—and amounts due under Hire Purchase Agreements (£617,000)	17,910,000		8,203,000	
Bank Loans and Overdrafts (Secured £4,350,000)	5,604,000	52,706,000	9,143,000	40,653,000
		£111,581,000		£87,859,000

	£	£	1963 £	1963 £
FIXED ASSETS (Note 8)				
Land, Buildings and Plant	59,352,000		52,287,000	
Equipment on or for Rental	16,935,000	76,287,000	8,498,000	60,785,000
GOODWILL, PATENTS AND TRADE MARKS (Note 9)		9,035,000		8,014,000
TRADE INVESTMENTS (Note 10)				
At cost *less* £189,000 written off (uncalled liability £383,000)	5,121,000		7,054,000	
At par value (market value £1,563,000)	13,000	5,134,000	—	7,054,000
CASH IN HANDS OF TRUSTEES FOR DEBENTURE STOCKHOLDERS		417,000		313,000
		90,873,000		76,166,000
CURRENT ASSETS				
Film Productions (Note 11)	5,736,000		5,872,000	
Stocks and Work in Progress	17,069,000		11,366,000	
Debtors and Prepayments	15,999,000		12,273,000	
Cash at Bank and in Hand	5,281,000		2,102,000	
	£44,085,000		£31,613,000	
DEDUCT: LIABILITIES AND PROVISIONS (Other than borrowed money)				
Creditors, Expenses Accrued and Provisions (Note 12)	18,503,000		16,033,000	
Current Taxation (including Income Tax accrued to date)	3,448,000		2,880,000	
Dividends				
Shareholders in the Company	1,140,000		868,000	
Outside Shareholders of Subsidiaries	286,000		139,000	
	£23,377,000	20,708,000	£19,920,000	11,693,000
		£111,581,000		£87,859,000

Notes forming part of the Consolidated Accounts and Balance Sheet of The Rank Organisation Limited on pages [523 and 524]

1 **ALL AMOUNTS** are shown to the nearest thousand pounds.

2 **EXCHANGE RATES**—Unrestricted foreign currencies have been converted at mid-market rates ruling at 27th June, 1964 and certain restricted currencies at or below official rates. The surplus arising from the net appreciation in overseas currency figures of fixed and current assets after deducting liabilities, has been adjusted in the Goodwill figure.

3 **GAUMONT BRITISH**—The shares issued by the Company under a Scheme of Arrangement approved by the Court in December, 1961 for the acquisition of the Issued Share Capital of Gaumont British Limited not then owned within the Group were treated as having been issued at their nominal value of £5,868,000. The excess of the book value of the net tangible assets attributable to the shares so acquired over the consideration amounted to £2,465,000 and is included in Group Revenue Reserves.

4 **MOVEMENTS IN RESERVES**

The Group	*Share Premium Account* £	*Other Capital Reserves* £	*General Reserves* £	*Profit & Loss Accounts Subsidiaries* £
Balances at 29th June, 1963	6,843,000	294,000	5,113,000	4,496,000
Premium on Shares issued *less* expenses	3,548,000			
Applied against Capitalisation Issue	(6,432,000)			
Transfer in respect of Property Sales		1,500,000		
Sundry items	(19,000)	45,000		
Profit retained		12,000	(6,000)	1,351,000
Balances at 27th June, 1964	£3,940,000	£1,851,000	£5,107,000	£5,847,000

The Company	*Share Premium Account* £	*Profits on Sale of Fixed Assets to Subsidiaries* £	*Other Capital Reserves* £	*Profit & Loss Account* £
Balances at 29th June, 1963	6,824,000	832,000	—	2,449,000
Premiums on Shares issued *less* expenses	3,548,000			
Applied against Capitalisation Issue	(6,432,000)			
Transfer in respect of Property Sales			950,000	
Sundry items		17,000	7,000	
Profit retained				1,514,000
Balances at 27th June, 1964	£3,940,000	£849,000	£957,000	£3,963,000

5 **THE AMOUNTS SET ASIDE FOR FUTURE TAXATION** in the Consolidated Balance Sheet comprise Future Income Tax including taxation deferred by virtue of capital allowances, less £2,980,000 (*1963 £824,000*) in respect of taxation on unrealised profits arising on sales of equipment by Rank Xerox Limited to its Subsidiary Companies, such profits having been excluded from the Consolidated Profit and Loss Account.

6 **CONVERTIBLE UNSECURED LOAN STOCKS**—The options to convert into "A" Ordinary Shares are exercisable between 1st October and 9th December in the years and on the terms as follows:—each £100 of the 6¾% Stock into 116 shares in 1964, or 110 shares in 1965 and each £100 of the 6% Stock into 66 shares in 1965, 62 in 1966 or 60 in 1967.

7 **DEBENTURE STOCKS, SECURED NOTES AND MORTGAGES**

The Group	1964 £	1963 £
Repayable by annual sinking funds or by instalments—		
Final redemption dates after 1979	9,331,000	7,903,000
Final redemption dates 1966 to 1979	8,424,000	9,076,000
Repayable by 1966 or at short notice	209,000	578,000
	£17,964,000	£17,557,000
The Company		
5% Debenture Stock, repayable at par by 25 equal half-yearly instalments	1,156,000	1,249,000
4½% Promissory Notes (secured) repayable by 7 yearly instalments of £200,000 and the balance in 1971	2,600,000	2,800,000
Mortgages	96,000	—
	£3,852,000	£4,049,000

8 **FIXED ASSETS**
Freehold and Leasehold Land and Buildings, Plant and Equipment of the Group are mainly at cost but partly at independent valuation and of the Company wholly at cost.

The Group	*Cost etc* £	*Depreciation* £	*Net* £	1963 £
Theatres, Ballrooms, Tenpin Bowling, kindred Properties and Equipment	54,139,000	16,042,000	38,097,000	37,405,000
Studios, Laboratories and Film Distribution Premises and Equipment	5,344,000	2,806,000	2,538,000	2,616,000
Manufacturing and Commercial Premises, Plant and Equipment	22,817,000	4,834,000	17,983,000	11,342,000
Closed Theatres	1,078,000	344,000	734,000	924,000
	83,378,000	24,026,000	59,352,000	52,287,000
Equipment on or for Rental	24,345,000	7,410,000	16,935,000	8,498,000
	£107,723,000	£31,436,000	£76,287,000	£60,785,000
The Company				
Theatres, Ballrooms, Tenpin Bowling, kindred Properties and Equipment	6,137,000	860,000	5,277,000	3,823,000
Commercial Premises, Plant and Equipment	2,790,000	269,000	2,521,000	1,421,000
Closed Theatres	73,000	8,000	65,000	65,000
	£9,000,000	£1,137,000	£7,863,000	£5,309,000

9 **GOODWILL, PATENTS AND TRADE MARKS**
At cost *less* amounts written off including the net excess of the cost of shares in Subsidiaries over the net book value of the net tangible assets at dates of acquisition and after deducting the proportion applicable to Outside Shareholders of Subsidiaries.

10 **TRADE INVESTMENTS**

The Group	*U.K.* £	*Overseas* £	*Total* £
Theatre Operating Companies	111,000	3,937,000	4,048,000
Film Producing and Distributing Companies	48,000	90,000	138,000
Television and other Companies	443,000	505,000	948,000
	£602,000	£4,532,000	£5,134,000

11 **FILM PRODUCTIONS**

	The Group 1964 £	The Group 1963 £	The Company 1964 £	The Company 1963 £
Released Films at estimated recoverable value	4,404,000	3,917,000	1,312,000	1,080,000
Unreleased and Uncompleted Films and Interests at cost	1,650,000	2,244,000	619,000	847,000
Story Rights, Scenarios and Pre-Production Expenditure at cost *less* amounts written off	82,000	111,000	41,000	56,000
	6,136,000	6,272,000	1,972,000	1,983,000
Less: Provisions for possible losses on Unreleased Films and for Contingencies	400,000	400,000	250,000	250,000
	£5,736,000	£5,872,000	£1,722,000	£1,733,000

12 **CREDITORS, EXPENSES ACCRUED AND PROVISIONS** include an amount of £250,000 in respect of a provision for future experimental expenditure on Pay Television.

13 **CONTINGENT LIABILITIES**

The Group
There are Contingent Liabilities in respect of (*a*) Distribution Guarantees with independent film producers, other Guarantees, etc. amounting in aggregate to approximately £2,800,000 (*1963 £2,500,000*), (*b*) a claim under a legal action against an overseas subsidiary which is disputed and (*c*) customs duties under negotiation in certain overseas territories.

The Company
There are Contingent Liabilities in respect of Distribution Guarantees and Guarantees of Advances to Subsidiaries and Associated Companies amounting in aggregate to approximately £11,400,000 (*1963 £7,400,000*).

14 **CAPITAL COMMITMENTS**
There are commitments for Capital Expenditure by the Group of approximately £7,000,000 (*1963 £5,100,000*) and by the Company of approximately £4,300,000 (*1963 £1,100,000*).

15 **ACQUISITION OF THE PULLIN GROUP LIMITED**
Since the 27th June 1964 the Company has declared unconditional its offer to acquire the whole of the issued share capital and convertible unsecured loan stock of The Pullin Group Limited for an aggregate consideration to be satisfied by the issue of 1,749,160 'A' Ordinary Shares of 5/- each, 45,000 8% Second Cumulative Preference Shares of £1 each and £500,000 new 6½% Convertible Unsecured Loan Stock 1975/79 of the Company; the 'A' Ordinary Shares so issued do not rank for the final dividend proposed for the 52 weeks ended 27th June 1964.

ledges the point, criticism is on fairly safe ground.

Within 'Miscellaneous Activities' are the company's interests in catering, ballrooms, bowling, dry cleaning, television rental and relay, and an interest in Southern Television Ltd. It is in this sphere of 'leisure time' activity that the Rank Organisation intends to expand.

Capital Consolidation

The year under review saw the completion, 'for all practical purposes' as the chairman says, of the programme of capital consolidation within the group. Acquisition of substantial minority interests in Provincial Cinematograph Theatres Ltd and in P.C.T. Construction Co Ltd was undertaken through the issue, in total, of 1,466,604 6¼ per cent Cumulative £1 Preference shares and 2,556,787 8 per cent Second £1 Preference shares and the payment of about £100,000 cash. The outstanding share capital of Rank Radio and Television Ltd was also acquired.

During the year, Rank Organisation itself issued £10 million of 6 per cent Convertible Unsecured Loan stock 1983–88 and the company is currently in the process of making a further convertible loan stock issue in the form of £12·5 million of 6½ per cent 1988–93 stock. Conversion terms offer exchange into the 'A' shares at prices equivalent to 40*s* a share in 1967, 43*s* 5½*d* in 1968 and 47*s* 7½*d* in 1969. The price of the 'A' shares when the issue was announced was 34*s* 3*d*.

The proceeds of this issue, Mr Davis says, should finance the present planned programme and obviate for several years the need to raise further funds in a manner which in any way involves equity capital, although the group may, from time to time, finance particular operations by way of loans in one form or another.

Acquisition Policy

Apart from financing expansion of the Rank Xerox company, Rank Organisation plans expansion by acquisition in 'leisure' industries and in the electronics and instrument spheres. Concerning these intended acquisitions, Mr Davis lays down a firm policy.

Earlier this year discussions between The Rank Organisation and Mecca Ltd aroused considerable interest and comment. Mr Davis maintains that the Mecca board approached him for merger terms, although at the time of the abortive negotiations Mecca gave the impression of being a most unwilling seller.

Be that as it may, Rank Organisation, having stated its price and having had it turned down by the Mecca board, flatly refused to budge from it. 'This', Mr Davis remarks, 'is a policy we intend to adhere to in the future in any comparable situation.' He emphasizes the point later in his statement by saying 'We do not intend to purchase at inflated prices and every proposition will be considered in the light of its value to the organization under our management'.

CITY NOTES

POLITICAL events having posed more questions than they have answered, uncertainty remains in the City and the stock-markets. The immediate prospect is that the stock-markets will be numbed into inactivity.

In stock-market parlance there may not be 'much to go for' but at the same time there is no combination of factors which demands outright reappraisal of investment policy in terms of big scale selling.

The pre-election shake-out in the market acted as a shock absorber to a fair degree. But money is not likely to move heavily into the market until the extent of initial economic action by the new Government has been taken and the basis of longer term economic and financial policy has been clarified.

But there are wider issues at stake than domestic policy. The change in the Kremlin and the possible rise in the Goldwater fortunes in the United States are matters of very considerable moment.

Both domestic and international politics and policies seem to be in the melting-pot at once. That is not a heartening situation but it is one in which investment operators may be shrivelled into inactivity simply for fear of taking the wrong action.

RATES AND PRICES

Closing prices, Wednesday, October 21st, 1964

Tax Reserve Certificates: interest rate 19.3.64 2¾%

Bank Rate

July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%

Treasury Bills

Aug. 14	£4 13*s* 0·21*d*%	Sept. 18	£4 13*s* 0·70*d*%
Aug. 21	£4 13*s* 0·98*d*%	Sept. 25	£4 13*s* 0·80*d*%
Aug. 28	£4 13*s* 1·47*d*%	Oct. 2	£4 13*s* 0·44*d*%
Sept. 4	£4 13*s* 1·26*d*%	Oct. 9	£4 13*s* 0·96*d*%
Sept. 11	£4 13*s* 0·57*d*%	Oct. 16	£4 14*s* 4·69*d*%

Money Rates

Day to day	3⅜–4⅝%	*Bank Bills*	
7 days	3¼–4½%	2 months	4⅞–4$\frac{15}{16}$%
Fine Trade Bills		3 months	4⅞–4$\frac{15}{16}$%
3 months	5¾–6¼%	4 months	4⅞–4$\frac{15}{16}$%
4 months	5¾–6¼%	6 months	4$\frac{15}{16}$–5%
6 months	6–7%		

Foreign Exchanges

New York	2·78 $\frac{5}{16}$	Frankfurt	11·05¾
Montreal	2·99 $\frac{7}{32}$	Milan	1739
Amsterdam	10·01¼	Oslo	19·94¼
Brussels	138·08½	Paris	13·64⅛
Copenhagen	19·29¼	Zürich	12·01

Gilt edged

Consols 4%	64⅞	Funding 3% 59–69	90
Consols 2½%	41⅜	Savings 3% 60–70	86⅝
Conversion 6% 1972	102⅝	Savings 3% 65–75	77⅝
Conversion 5¼% 1974	97⅞	Savings 2½% 64–67	92⅝
Conversion 5% 1971	97⅜	Treas'ry 5½% 2008–12	90
Conversion 3½% 1969	91½	Treasury 5% 86–89	86
Conversion 3½%	56 $\frac{5}{16}$	Treasury 3½% 77–80	76⅝
Funding 5¼% 82–84	95¼	Treasury 3½% 79–81	75¼
Funding 4% 60–90	92⅛	Treasury 2½%	40⅜
Funding 3½% 99–04	64⅜	Victory 4%	97⅝
Funding 3% 66–68	90 $\frac{19}{32}$	War Loan 3½%	57 $\frac{5}{16}$

Internal Auditors' Conference

THE fifth annual conference of the West European Region of The Institute of Internal Auditors – at present comprising, in the main, Chapters in the United Kingdom – was held last week at Great Malvern, under the sponsorship of the Birmingham Chapter of which the President, Mr R. H. Pitchford, A.A.C.C.A., Chief Internal Auditor of the West Midlands Gas Board, acted as Conference Chairman. For the first time, all the United Kingdom Chapters were represented, many of the members being accompanied by their wives.

The conference was opened on Wednesday afternoon by Mr R. S. Rossiter, Regional Vice-President of The Institute of Internal Auditors, with Mr H. C. Booth, F.C.A., Regional Director, in the chair. Messages of good wishes for the success of the conference were read from the International President of the Institute in New York, and from the President of the Israeli Chapter.

The four papers which were presented at the conference, and which are the subject of comment in a leading article on other pages of this issue, were each discussed in syndicate meetings following the plenary sessions at which they were presented; subsequently, syndicate leaders reported back and further discussion took place in open session.

A visit to the Worcester Porcelain Works was specially arranged for the benefit of the ladies accompanying members.

Conference Banquet

On the Thursday evening the conference banquet was held at which the guest of honour was the chairman of the Malvern Urban District Council, Councillor R. Craft, J.P., accompanied by Mrs Craft. Other principal guests were Mr L. J. Martin, Clerk of the Malvern U.D.C., and Mrs Martin; Mr R. C. Wydenbach, F.I.M.T.A., Treasurer, Malvern U.D.C., and Mrs Wydenbach; Mr J. P. Wilson, F.C.W.A., F.C.I.S., President, The Institute of Cost and Works Accountants; Mr R. Davies, F.I.M.T.A., Chief Accountant, The Gas Council; Mr Arthur E. Webb, Editor, *The Accountant*, and Mrs Webb.

The toast of 'The Urban District Council of Malvern' was proposed by Mr J. O. Davies, F.C.A., A.C.W.A., Director Resident in London of the Institute. The Chairman of the Council, who replied, also proposed the toast of 'The Institute of Internal Auditors', and Mr R. S. Rossiter, the Regional Vice-President, responded.

The toast of 'The Ladies and Guests' was proposed by Mr Pitchford, and Mr Webb replied.

Next Year's Conference

At the concluding session of the conference it was announced that the conference in 1965 would be held at Scarborough from October 20th to 22nd, with the Yorkshire Chapter of the Institute as hosts. The theme of the conference will be 'Getting results'.

SOME PERSONALITIES AT THE CONFERENCE

Left to right: Mr R. C. Wydenbach, D.P.A., F.I.M.T.A., *Treasurer, Malvern U.D.C.*; Mrs Wydenbach; Mr H. C. Booth, F.C.A., *Regional Director, The Institute of Internal Auditors*; Mrs R. Craft; Mr J. O. Davies, F.C.A., A.C.W.A., *the Institute's Director Resident in London*; Mr R. Craft, J.P., *Chairman, Malvern U.D.C.*; Mrs L. J. Martin; Mr R. H. Pitchford, *President, Birmingham Chapter of the Institute*; Mr L. J. Martin, *Clerk of the Malvern U.D.C.*; Mr R. S. Rossiter, *Regional Vice-President of the Institute.*

FOR STUDENTS

THE AUDITOR'S DUTIES

Private Firms

THERE is no legal obligation on a private firm (i.e. a sole trader or a partnership) to appoint an auditor; there is therefore no *statutory* guidance as to an auditor's duties or responsibilities should such a firm appoint one. However, a professional accountant engaged to carry out work for a client enters into a contractual relationship with him and may therefore be liable in damages if the client suffers loss as a result of an improper discharge of the duties he undertook to carry out. This liability arises under the general law of contract and, as with any other contract, there should be a clear understanding between the parties as to its subject-matter, i.e. the extent of the duties to be performed.

Many private firms employ the services of a professional accountant merely to balance the books, prepare the accounts and deal with the taxation affairs, and though in such circumstances, the accountant may no doubt go behind the books in an effort to secure accuracy, he does not necessarily carry out a complete audit. Unless this is clearly understood by the client, difficulties may arise if, for example, defalcations by an employee subsequently came to light which could only have been detected by the accountant had a full audit of the client's records been performed.

It is therefore essential that the extent of the work to be carried out should be expressed in writing, and it goes without saying that the form of report attached to the accounts should not imply that an audit has been carried out if such is not the case. In fact, The Institute of Chartered Accountants in England and Wales recommends that the accountant should state that he has merely *prepared* the accounts, making such observations as will ensure that the association of his name with them does not imply that they can be regarded as more reliable than the circumstances warrant.

Once the extent of the accountant's duties has been agreed, they must be discharged with proper professional competence, for an accountant holds himself out as a person skilled in accounting and similar matters. Although the following words used by Lopes, L.J., in the *Kingston Cotton Mills* case referred to auditors, there is little doubt that they apply equally to a professional accountant who, by agreement, carries out duties which do not amount to a complete audit.

> 'It is the duty of an auditor to bring to bear on the work he has to perform that skill care and caution which a reasonably competent careful and skilful auditor would use.'

Limited Companies

By statute, every limited company must appoint an auditor whose duties are primarily governed by the Companies Act, 1948. The principal duty of such an auditor is to report to the shareholders on the profit and loss account and balance sheet in the terms of the Ninth Schedule. These will be considered later, but it must be noted here that the report in the statutory terms is mandatory and the auditor's duties cannot be restricted, either by agreement with the directors or otherwise.

It must be remembered that a professional firm appointed in accordance with statute acts in the capacity of auditors and not of accountants, though they may in practice accept a further duty of actually preparing the accounts by separate arrangement with the company. Nevertheless, it is upon the directors that responsibility for the accounts rests and they may therefore (subject to section 147) determine their form and content and in fact two directors must sign the balance sheet.

In the event of a difference of view between the directors and the auditors concerning matters to be disclosed, or the truth and fairness of the account and balance sheet, the auditors possess no *right* either to require the directors to amend the accounts or to make alterations themselves, though in most cases the directors would no doubt accept the auditor's advice and thus enable them to give an unqualified report.

If, however, the directors, for reasons which seem good to them, decide to disregard the auditor's advice regarding matters affecting the accounts, it is the auditor's right and duty to refer in his report to the matters about which he is dissatisfied. It must be emphasized that this report is a document for which the auditor is solely responsible; its preparation is, in fact, the culmination of his audit duties and it is the means of informing the shareholders (who appoint him) of the accuracy with which the profit and loss account and balance sheet depict the affairs of their company.

Form of the Auditor's Report

The Ninth Schedule to the Company's Act, 1948, is headed 'Matters to be expressly stated in the Auditor's Report'. The word 'expressly' should be noted: it implies that there must be no ambiguity in any of the auditor's statements.

The matters referred to are summarized below and it is suggested that the student should here refer to the actual words of the schedule.

(*a*) The auditor must inform the members whether he has obtained all the information and explanations which he considers necessary and to which he has a statutory right. This clearly is fundamental; if the auditor has either not taken the necessary trouble to inform himself or has been denied access to material information, his audit cannot have been properly carried out and therefore he will be unable to deal with the following provisions of the report.

(*b*) He must inform the members whether proper books and returns have been kept by the company, so far as appears from his examination. This statement follows logically from (*a*) above and leads, equally logically, to the remaining requirements of the schedule, for if the company's books and records are unsatisfactory, there is

little chance that the accounts founded upon them will be correct.

(c) He must inform the members whether the profit and loss account and balance sheet agree with the books, thus tracing the figures in sequence from the records and books to the accounts themselves.

(d) The next requirement is perhaps the most important of all, because it calls upon the auditor to state:

(i) whether matters which the Act requires to be set out have been duly disclosed, and;

(ii) whether the profit and loss account and balance sheet give, respectively, a *true and fair* view of the profit or loss for the financial year and of the state of affairs at the close thereof.

The last paragraph must be especially noted as it brings in the concepts of truth and fairness. It is therefore not enough for the profit and loss account and balance sheet to agree merely *arithmetically* with a proper system of books and records and to disclose the matters required by the statute. Over and above this, they must be 'true and fair' and it is the proper interpretation of these moral concepts which is the fundamental duty of the auditor.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS ATTWOOD, BECKLEY & CO, Certified Accountants, of Reading, announce that as from October 1st, 1964, they have taken into partnership Mr LESLIE M. PRATER, A.A.C.C.A., who has been associated with the practice for some years. The name of the firm will remain unchanged.

MESSRS THORNTON BAKER & CO (Manchester), W. BOLTON & CO, and WALTON, WATTS & CO, Chartered Accountants, announce that as from October 26th, 1964, their address will be Brazennose House, Brazennose Street, Manchester 2. Telephone Blackfriars 5414.

MESSRS BOURNER, BULLOCK & CO, Chartered Accountants, announce that they have agreed to merge their practice, carried on at Stoke-on-Trent, Hanley, Leek and Congleton, with that of PEAT, MARWICK, MITCHELL & CO. All the partners in BOURNER, BULLOCK & CO, other than Mr J. S. UDALL, F.C.A., and Mr J. C. HOLLAND, F.C.A., will continue as partners with the addition of five partners of PEAT, MARWICK, MITCHELL & CO. Mr UDALL, Mr F. G. NICHOLAS, F.C.A., and Mr H. C. BLADEN, F.C.A., will act as consultants to the firm.

MESSRS COOPER BROTHERS & CO and COOPERS & LYBRAND, announce that Mr ERIC BERGEN SEEX, F.C.A., the senior partner in their East African firm, has retired. Mr SEEX, who was articled with COOPER BROTHERS & CO, London, has completed over forty years in the profession.

MESSRS COOPER BROTHERS & CO and COOPERS & LYBRAND, East Africa, and Messrs KER TAIT, JONES & CO, announce that they have entered into association with effect from October 1st, 1964. The partners in COOPER BROTHERS & CO and COOPERS & LYBRAND will be joined by the present partners in KER TAIT, JONES & CO, namely, Mr HAROLD STANLEY JONES, F.C.A., and Mr COLIN STANLEY CARTER, A.C.A.

MESSRS FRANK DOWNING & CO, Chartered Accountants, of 24 Norfolk Row, Sheffield 1, announce that Mr DAVID WATSON ALLEN, A.C.A., was admitted as a partner with effect from October 5th, 1964.

MESSRS KENNETH JONES & CO, Certified Accountants, announce that their address is now Midland Bank Chambers, Holywell.

Mr RONALD METSON, F.A.C.C.A., announces that by mutual arrrangement he has left the firm of COLLIER, LOVELESS & CO, and as from October 1st, 1964, is practising as RONALD METSON & CO, Certified Accountants, at 225 High Road, Ilford, Essex. Telephone Ilford 0650.

MESSRS PANNELL, FITZPATRICK, GRAHAM & CREWDSON (Manchester firm), and Messrs MATHER, KAY & HUDSON, of Bolton, announce that as from October 1st, 1964, they have amalgamated their practices. Mr A. H. SHARROCK, F.C.A., has retired, but will be available for consultation. The other Bolton partner, Mr W. BELL, F.C.A., has become a partner of the Manchester firm, which will practise from its existing offices and from Bolton in the name of PANNELL, FITZPATRICK, GRAHAM & CREWDSON.

Appointments

Mr K. C. Barrington, F.C.A., has joined the board of Baker Perkins Holdings Ltd.

Mr D. J. Billingham, A.C.A., has been appointed to the main board of Parker Winder and Achurch (Holdings) Ltd.

Mr R. Colley, A.A.C.C.A., has been appointed assistant treasurer, Leeds Regional Hospital Board.

Major E. H. Marley, M.B.E., T.D., F.C.A., has joined the boards of L.P.F. Photronics Ltd and P. M. Cox Ltd.

Mr H. C. Partridge, C.A., has been appointed secretary of George Kent Ltd.

Mr Alfred John Roughan, A.I.M.T.A., A.M.B.I.M., Area Accountant of the Western Area of the South Wales Electricity Board, has been appointed Accounts Officer at the Board's headquarters at St Mellons.

Mr David T. Scarisbrick, A.C.A., has been appointed chief accountant and controller of The Carlton Tower.

Mr G. W. Scarlett, F.C.A., has been appointed London area manager of Industrial and Commercial Finance Corporation Ltd; Mr A. R. English, F.C.A., has resigned as joint general manager of the corporation on reaching retiring age, but will be available as a consultant.

Mr G. P. Sutton, F.A.C.C.A., has been appointed an assistant general manager of Selfridges Ltd.

Mr D. E. T. Tanfield, F.C.A., has been appointed chairman of John B. Wilson & Sons Ltd, and Mr A. P. Weston, F.C.A., has been appointed joint managing director (grocery).

Mr W. C. W. Thompson, F.C.A., financial director of Negretti & Zambra Ltd, has been appointed secretary of the company.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

Dinner in London

The Institute of Cost and Works Accountants held a dinner on Thursday of this week at Apothecaries' Hall, London. Mr John Wilson, F.C.W.A., President, was in the chair, and among those present were:

The Ambassador for the Republic of Ireland, the Immediate Past Master of the Society of Apothecaries, Lord Drumalbyn, Lord Thomson of Fleet, Admiral Sir Michael Denny, Sir Humphrey Browne, Sir Kenneth Hutchison, Sir Joseph Latham, Sir Harry Melville, Sir Robert Shone, Sir Mark Turner, Captain C. C. Suther, R.N.(RETD).

Messrs J. W. Dallachy, W. G. Densem, R. Statham, I. M. Cowan, L. R. Murray, J. Diebold, Professor H. Edey, Messrs D. Hennessy, J. Hyman, A. Ross, C. E. Power, W. Bishop, F. M. W. Hird, W. S. Risk, E. Emmerson, H. J. Furness, J. Borsay, I. T. Morrow, G. Nicholson, W. E. Harrison, F. W. H. Saunders, L. W. Robson, G. C. Stone, H. Wilmot, H. Hodgson and W. L. Spalding.

The toast of 'The management of British industry', was proposed by Mr Harry Hodgson, F.C.A., F.C.W.A., a Vice-President of the Institute, and Admiral Sir Michael M. Denny, G.C.B., C.B.E., D.S.O., Chairman, Cammell Laird & Co Ltd, replied.

The Rt Hon. The Lord Drumalbyn, P.C., proposed the toast of 'The Institute of Cost and Works Accountants', and the President replied.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

The programme for the 1964–65 session of the London and District Society of Chartered Accountants will include three luncheon meetings, a series of evening meetings and two residential courses – at Brighton and Eastbourne.

Luncheon Meetings

'Look at a chartered accountant', a symposium of views from outside the profession, will form the subject of the luncheon meetings to be held at the Connaught Rooms, Great Queen Street, London WC2, at 12.30 for 1 p.m. as follows:

November 11th: 'Industry', by Mr Haydon Taylor, deputy chairman, General Refractories Ltd.

January 5th, 1965: 'The law', by Sir A. Melford Stevenson, one of Her Majesty's Judges.

March 9th: 'Advertising', by Mr George R. Pope, deputy manager, *The Times*.

Evening Meetings

November 17th: in The Beaver Hall, Garlick Hill, London EC4. 'The White Paper on "An accounts basis for income tax on company profits",' by Mr L. H. Clark, F.C.A.

December 8th: in The Beaver Hall, Garlick Hill, London EC4. 'Practical statistics for today's accountants', by Mr E. H. M. Price, M.A., economics officer, Port of London Authority, and Mr J. Draper, M.SC., statistics officer, Reed Paper Group Ltd.

January 21st, 1965: in the Little Ship Club, Bell Wharf Lane, Upper Thames Street, London EC4. 'The practitioner inquiry: Where do we go from here?' Discussion opened by Mr F. C. de Paula, T.D., F.C.A., a member of the Special Committee appointed by the Council of the Institute to consider the problem.

February 18th: in the Little Ship Club, Bell Wharf Lane, Upper Thames Street, London EC4. 'Capital allowances today: Are they being fully used?' Speaker to be announced.

London members of the Institutes of Chartered Accountants of Scotland and of Ireland are invited to attend the above evening meetings.

Residential Courses, 1965

March 25th to 27th: 'The accountant and work study in office and factory' at the Hotel Metropole, Brighton.

November 25th to 27th: 'Taxation', at the Grand Hotel, Eastbourne.

A dinner and dance is to be held at Grosvenor House, Park Lane, on Friday, March 19th, and the Society's annual general meeting on May 13th, at 6 p.m. in the Little Ship Club, Bell Wharf Lane, Upper Thames Street, London EC4.

London members of The Institute of Chartered Accountants of Scotland invite members of the Society to meetings on 'Anglo-Soviet trade relations', by Mr K. F. Anikovich, member of the U.S.S.R. trade delegation in Great Britain, on November 23rd, and 'Unit trusts: their development, functions and working', by Mr E. J. Gayler, C.A., on February 1st, 1965.

BIRMINGHAM AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

The 1964–65 session of the Birmingham and District Society of Chartered Accountants commenced earlier this month when Mr K. S. Carmichael, F.C.A., addressed members on 'Schedule D, Case VIII'. Other meetings have been arranged as follows:

November 11th: 'Group capacity assessment – a new approach to the control of indirect labour costs' (illustrated by slides), by Messrs Brian F. Emmerson, F.C.A., and Kenneth Rackham, B.SC.

December 8th: Joint meeting with H.M. Inspectors of Taxes.

January 13th, 1965: 'Business investigations', by Mr R. F. Sumner, F.C.A.

February 11th: 'The accountant and the auditor in the future computer world', by Mr D. W. Hooper, M.A., F.C.A., chief organizing accountant, National Coal Board.

March 9th: 'Financial advisory service as distinct from management accounting', by Mr A. B. Snow, F.C.A.

March 26th: Annual dinner at the Grand Hotel.

April 9th–11th: Week-end conference at Keele University.

May 26th: Annual general meeting at the Imperial Hotel, preceded by luncheon.

Except where otherwise indicated, evening meetings will be held at 6 p.m. at the Midland Hotel. Tea and biscuits will be served from 5.15 p.m. onwards.

Discussion Groups

The Society's two discussion groups meet monthly: A

Group dealing mainly with professional topics; and B Group, with commercial and industrial subjects. Further information regarding the activities of these groups is obtainable from the honorary secretary of the Society, Mr P. T. Neal, F.C.A., c/o Agar, Bates, Neal & Co, 106 Edmund Street, Birmingham 3.

BRISTOL AND WEST OF ENGLAND SOCIETY OF CHARTERED ACCOUNTANTS

Bristol Area Branch

The next meeting of the Bristol Area Branch of The Bristol and West of England Society of Chartered Accountants will take place on November 12th at the Royal Hotel, Bristol, at 6 p.m. for 6.30 p.m., when Mr T. A. Hamilton Baynes, M.A., F.C.A., a member of the Council of the Institute, will address members on 'Share valuation for estate duty'. On December 10th, (also at the Royal Hotel, at 6 p.m. for 6.30 p.m.) there will be a meeting with members of the National Agricultural Advisory Service when the subject will be 'Farm accounts'. The Branch concludes its meetings for 1964 on December 17th when Mr C. Croxton-Smith, J.P., M.A., F.C.A., will speak on 'The practitioner report' at the Mermaid Hotel, Yeovil.

In the New Year, addresses to be given will include 'The accountant and the computer', by Mr L. W. Shaw, F.C.A.; 'Recent problems in practice', by Mr B. Rose, F.C.A., and 'The economic outlook', by Mr William Rees-Mogg.

The honorary secretary of the Branch is Mr R. C. Bassett, c/o Turquand, Youngs & Co, and Ware, Ward & Co, 7 Unity Street, Bristol 1.

LEICESTERSHIRE AND NORTHAMPTONSHIRE SOCIETY OF CHARTERED ACCOUNTANTS

The annual dinner of The Leicestershire and Northamptonshire Society of Chartered Accountants is to take place at the Grand Hotel, Leicester, on Tuesday, November 10th, at 7 p.m. for 7.30 p.m. A luncheon meeting, which will be followed by a talk by Mr F. R. Bentley, C.P.A., on 'Share of production plan', is to be held on December 9th (also at the Grand Hotel) at 12.30 p.m. for 12.45 p.m.

Further particulars regarding the activities of the Society are obtainable from the honorary secretary, Mr J. H. Golcher, F.C.A., 32 De Montfort Street, Leicester.

Fleming Birch Prizes

The Fleming Birch Prize for the May 1964 Intermediate examination is being awarded to Mrs Thelma Bull, articled to Mr C. L. Wykes, of Leicester. Mrs Bull was the highest placed candidate from the Society in the Intermediate examination and gained the Eleventh Certificate of Merit.

No award in respect of the Final examination is being made on this occasion.

NOTTINGHAM SOCIETY OF CHARTERED ACCOUNTANTS

'The chartered accountant in the 1970s' will be the subject of a talk to be given by Mr T. A. Hamilton-Baynes, M.A., F.C.A., a member of the Council of the Institute, at a luncheon meeting of The Nottingham Society of Chartered Accountants to be held on November 26th, at the Welbeck Hotel, Nottingham.

Further particulars regarding the activities of the Society may be obtained from the honorary secretary and treasurer, Mr R. F. Holloway, F.C.A., c/o Derbyshire & Co, Bentinck Buildings, Wheeler Gate, Nottingham.

CHARTERED ACCOUNTANTS' GOLFING SOCIETY

The autumn meeting of the Chartered Accountants' Golfing Society was held at the Beaconsfield Golf Club on October 2nd. The weather was fine and the course was in excellent condition. The meeting attracted an entry of fifty-five members. Leading scores:

	Points
Stableford Singles	
J. H. Franklin (18) (Won first prize)	39
A. C. Jones (11) (Won second prize)	36
S. Finden-Crofts (16) (Won third prize)	34
S. C. Hare (17)	34
C. W. Thomas (15)	34
R. Anderson (1) (Won scratch prize)	32
P. C. Barber (16)	32
D. C. Honey (10)	32
D. V. House (17)	32
B. A. Jawett (12)	32
C. Murray (16)	32
S. Penwill (16)	32
J. F. Sloan (9)	32
J. T. Thomson (18)	32
Stableford Foursomes	
D. N. Dunn (13) and J. H. Franklin (18) (Won first prize)	37
E. H. Head (12) and R. A. Daniel (14) (Won second prize)	35
R. B. Drummond (4) and M. Freeman (6)	34
J. F. Sloan (9) and S. Finden-Crofts (16)	33
R. G. Pegler (8) and H. C. Staines (5)	32

The A. T. Turquand-Young Challenge Cup for the best aggregate at the summer and autumn meetings was won by Mr J. H. Franklin with 36 points at St George's Hill and 39 points at Beaconsfield, a total of 75 points.

Messrs Futcher, Head, Smith & Co, beat Messrs Turquand-Young & Co, in the final of the A. O. Miles Challenge Cup at Walton Heath Golf Club at the thirty-eighth hole.

COURSES FOR MANAGEMENT

'Operational research and management decisions', 'Analysing company accounts and yields', and 'Top data for top men', are the titles of three one-day courses to be held in London on November 3rd, 4th

and 5th respectively. The first course, which will be presented by Professor B. H. P. Rivett, M.SC., will set out to review the types and relative importance of decisions made in business and to explain how some of the newer techniques can be put to good use, while the second course will explain how to obtain vital information from a systematic analysis and arrangement of the figures given in company balance sheets and accounts – subjects will include 'Return on investment', 'Use of finance', and 'Investors' yardsticks'. The third course, which will be repeated in Manchester on November 26th, will deal with the essential data and measurements of efficiency needed for all levels of management. Two other one-day courses, 'Computer feasibility studies', and 'How to prepare computer job specifications', are to take place in London at the end of this month and in Manchester at the beginning of November.

Further particulars are obtainable from Management Courses Ltd, Albany Courtyard, Piccadilly, London W1.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Members' Library

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

All the modern cases on Negligence; by R. Bingham: 2nd edition. 1964. 1st supplement 1964. (Sweet & Maxwell, 97s 6d.)
Auditing Manual; by F. Staples. Thiensville, Wisconsin. 1957. (Counting House Publishing.)
Buckley on the Companies Acts; by Lord Wrenbury . . . formerly Lord Justice Buckley: 13th edition by J. B. Lindon. 1957. Supplement by G. B. Parker. 1964. (Butterworth, 137s 6d and 27s 6d.)
Clerical Salaries Analysis 1964. (Institute of Office Management.) 1964. (I. of O.M., 70s.)
Contemporary Accounting Problems: text and cases; by L. Morrissey. Englewood Cliffs, N.J. 1963. (Prentice-Hall, 68s.)
Dynamic Systems Design: company control for the computer era; by B. L. J. Hart. 1964. (Business Publications, 45s.)
The First Fifty Years 1913–1963. (Arthur Andersen & Co.) (Chicago.) 1963. (A.A. & Co, presented.)
Fundamentals of Modern Management; by J. S. Dugdale. Bath. 1964. (James Brodie, 30s.)
The Impact of Computers on Accounting; by T. W. McRae. 1964. (John Wiley, 42s.)
Income Tax Act . . . annotated . . . to 1964 . . . ; by H. H. Stikeman. Toronto. 1964. (De Boo, 63s.)
Income Tax and Estate Duty on Woodlands. (Forestry Commission.) 1964. (H.M.S.O., 1s.)
The International Monetary Fund: legal bases, structure, functions; by H. Aufricht. 1964. (Stevens, 30s.)
Inventory Taking Instructions; by F. Staples. Thiensville, Wisconsin. 1951. (Counting House Publishing.)
Management Applied to Architectural Practice; by Brunton Baden Hellard & Boobyer. 1964. (The Builder, 25s.)
Management Information and Accounting; by R. W. Dobson. 1964. (Gee, 50s.)
Managing Company Cash; by N. E. Pflomm. New York. 1961. (National Industrial Conference Board, 160s.)
Measuring Office Work; by L. H. Bunker. 1964. (Pitman, 21s.)
Parish Councillor's Guide; by D. C. Milefanti: 11th edition. 1964. (Shaw, 15s.)
Preparing for the Auditors; [by F. Staples.] Thiensville, Wisconsin. 1949. (Counting House Publishing.)
Product Analysis Pricing: a method for setting policies for the delegation of pricing . . .; by W. Brown and E. Jaques. 1964. (Heinemann, 18s.)
Recent developments in Office Staff Practices: a supplement to the . . . survey published in 1961. (Institute of Office Management.) 1963. (I. of O.M., 4s.)
Record of Proceedings. (European Congress of Accountants.) Edinburgh. 1963. (Institute of Chartered Accountants of Scotland, 60s, presented.)
Resale Price Maintenance; by I. A. Macdonald. 1964. (Butterworths, 38s 6d.)
Ryde on Rating: the law and practice; by W. C. Ryde. 11th edition by H. B. Williams, W. L. Roots (and others). 1963. Supplement 1964. (Butterworth, 147s and 15s.)
Salary Administration; by G. McBeath and D. N. Rands. 1964. (Business Publications, 45s.)
Secretarial Practice. (Chartered Institute of Secretaries.) 6th edition (revised) 1964. Supplement 1964. (Heffer, 35s.)
Specimen Work Sheets for the Auditors; [by F. Staples.] Thiensville, Wisconsin. 1951. (Counting House Publishing.)
Standardized Audit Working Papers; by F. Staples. Thiensville, Wisconsin. 1957. (Counting House Publishing.)
Tax Planning and the Family Company with precedents; by D. R. Stanford: 2nd edition 1964. (Sweet & Maxwell, 87s 6d.)
Wealth and Income: an analysis of the economic and financial systems of Australia and Great Britain; by B. Tew: 4th edition. Melbourne 1964. (Melbourne U.P., 35s.)

ASSISTANT OFFICIAL RECEIVER APPOINTMENTS

Mr Albert Rout has been appointed an Assistant Official Receiver for the Bankruptcy District of the County Courts of Croydon, Guildford and Kingston upon Thames with effect from October 1st, 1964.

Mr Walter Bailey Gibbs has been appointed to succeed Mr Albert Rout as an Assistant Official Receiver for the Bankruptcy District of the County Courts of Southend and Chelmsford and also for the Bankruptcy District of the County Courts of Hertford and St Albans with effect from September 21st, 1964.

The appointment of Mr Charles Rawlinson as an Assistant Official Receiver for the Bankruptcy District of the County Courts of Canterbury, Rochester and Maidstone has been revoked. This revocation, which is consequent upon the transfer of the officer concerned, took effect on September 28th, 1964.

THE
ACCOUNTANT
ESTABLISHED 1874

The Recognized Weekly Journal for the Accountancy Profession throughout the World

OCTOBER 31ST, 1964 VOL. CLI. NO. 4689

CONTENTS

Taxing International Trade

MANY people sigh for the ultimate world state in which war will be unthinkable. People whose concern is income taxation perhaps do not look much beyond an intermediate stage when the principle 'one person one tax' will be adopted. However, given the still more imperfect world of today, we have to grapple with the competing claims of two or more countries to levy tax on what is fundamentally the same income. This must inevitably be a highly complex topic, and for that reason it tends to be neglected for slightly less harassing problems such as the question of what is capital and what is income. Tax practitioners should therefore be grateful for the address given by Mr E. BRAMLEY at the National *Taxation* Conference (reported on other pages) and entitled 'Some Aspects of United Kingdom Taxation in Relation to International Trade'. Mr BRAMLEY is not only a Senior Principal Inspector of Taxes but has special experience in this field.

One can more easily grasp complicated topics if one studies their history. Mr BRAMLEY recognized this truth in his own address for he began with the beginnings of income tax itself. This country has been the pioneer in trading enterprises abroad so that long ago there were trading companies which found themselves paying overseas tax as well as United Kingdom tax. Rates of tax being so small, they were content to be allowed to deduct the overseas tax as an expense – a practice which was ultimately held to be wrong. Fundamentally, there is, of course, no difference between our own income tax as an expense and the income tax imposed by another country. The point was taken to its logical absurdity in the last century. As a result of his researches Mr BRAMLEY discovered that an inspector of those days allowed the debit of £1,300 for British income tax but made a note to question a three-guinea subscription to the Territorial Army Association.

Looking to the other side of the medal, the foreigner trading here, the original machinery for charging him was not very efficient, for the legislation imposing liability on the foreigner's agent confined it to agents who were in receipt of the profits. This lacuna was not filled until 1915. At the same time, provision was made to protect the foreigner from liability on transactions entered into in the United Kingdom with other foreigners. Apparently the Inland Revenue do not regard this provision as in terms exempting a foreigner who sets up a branch here for sales wholly to foreigners. However, if this branch is remunerated on arm's length terms, the application of the provision (section 373 (2) of the Income Tax Act, 1952) is conceded.

Mr BRAMLEY has gone a long way to dispel some of the despondency which was caused by the House of Lords' decision in *Unit Construction Co Ltd v. Bullock* (38 A.T.C. 351). This decision established the principle that in determining whether a company was resident in a particular territory, one must look at the *de facto*, and not the *de jure* position. In other words, when answering the question 'Where do the central management and control abide?' one must have regard to actualities. The actualities in the *Bullock* case were that the directors of the holding company in England were in fact managing and controlling the African subsidiary, notwithstanding that under its own articles its own directors alone were vested with that function. This decision is capable of very wide application, but Mr BRAMLEY's words show that the Inland Revenue, relying on certain dicta, are not imposing such a wide application. In his own words:

> 'In no case did the directors of any of the African subsidiaries concerned sit round a table as a Board and they never took any decision as a Board, met as a Board, or were summoned to meet as a Board.'

He contrasts this with the case where a United Kingdom [*sic*] parent company is merely issuing advice or instructions to the board of a foreign subsidiary and that board is then adopting that advice or instructions as its own by making the necessary resolutions on which the foreign subsidiary acts. In the latter case the parent company, in his own metaphor, is supplying the bullets and perhaps loading the pistol; in the *Bullock* case the parent company was doing all three.

If that is the present position, then so be it; but one would like to have the law laid down rather more in black and white and not so much in indeterminate shades of grey. Where is the local control if the local board slavishly goes through the rigmarole of summoning and holding meetings at which it passes just those resolutions as are necessary for carrying out to the letter the detailed instructions received from the directors of the overseas parent company?

In the welter of double tax agreements which have followed the end of the Second World War, one tends to be lost in the detail. Mr BRAMLEY did well to remind his hearers that all these agreements are directed to giving relief, not to increasing the burden in any way. Of course, the provisions for the exchange of information no doubt result in an increased yield of tax, but taxpayers can hardly complain about that. The important thing is that a double tax agreement has to be read in the light of the general law imposing the tax in the first place. It cannot be used to strengthen or supplement that general law. A subsidiary aim of most agreements is to prevent the citizens of one territory X. being exposed to greater burdens from territory Y. than are imposed by territory Y. on its own citizens. On any footing, this kind of tax chauvinism is to be discouraged.

In almost every agreement one sees the phrase 'permanent establishment' because practically every agreement provides that a resident of territory X. cannot be charged on the profits of trading in territory Y. except where he does it through a permanent establishment, a phrase which is then defined in words which still leave a large area of doubt. This definition is subject to minor variations to suit the requirements of individual countries. In the more recent agreements the definition has been expanded to a more easily assimilable tabular form, which is in pleasant contrast to the indigestible mass of words in which the definition is enshrined in the 1946 agreement with the United States.

Naturally Mr BRAMLEY could give only general guidance in the face of so much difference in wording. A subsidiary company is not necessarily a 'permanent establishment'. A branch maintained solely for the purchase of goods is not a permanent establishment; trading *in* the territory is to be distinguished from trading *with* the territory. In more recent agreements this doctrine, which is over one hundred years old, is further developed. The 1963 agreement with Israel excludes from the categories of permanent establishment such fixed places of business as merely operate to collect information, to advertise, to disseminate information or 'for similar activities which have a preparatory or auxiliary character for the enterprise'.

Let us end on a cheering note. Although section 468 of the Income Tax Act, 1952, is full of dire threats for people who do any of the forbidden things mentioned in that section, Mr BRAMLEY was at pains to assure his listeners that Treasury permissions were by no means difficult to obtain.

New Economic Approach

AS a statement of the present issues, the Government's White Paper on *The Economic Situation*, published on Monday, is almost unexceptionable, given its mixture of facts and aspirations. For example, the assertion that the new Government 'found a lack of balance and absence of proper social and economic priorities' in the field of public expenditure is based on nothing more than a purely subjective assessment of what those priorities should be, just as the further statement 'that programmes of social improvement and economic expansion must go forward together . . . as a coherent long-term plan' is merely platitudinous. Whether the measures proposed will together prove any more successful than those used by Mr WILSON's predecessors in office remains to be seen; a mere statement of objectives does little.

The persistently high level of imports in recent months has bedevilled the balance of trade figures, hence the proposal to levy a 15 per cent surcharge on all imports other than food and basic materials was generally expected. The charge is, states the White Paper, 'essentially temporary' and is 'entirely different from the purpose of the protective tariff from which it will be distinct'. Time alone will tell.

The corollary of import restriction is the stimulus to exports now to be granted in respect of part of the current indirect taxes which enter into the cost of production of those exports. Details of their *modus operandi* will be disclosed later, but the concession represents about 1½ per cent of the value of exported goods, or some £70 million. It is to be hoped that the scheme will, in the words of the White Paper, remove one of the burdens at present borne by British exports and make exporting more attractive to a wide range of British industry.

The import charges, however, are potentially harmful to the longer term prospects of our export trade. Such measures tend to attract retaliatory action and it will be up to the Government to convince the other trading nations of their not too distant intentions. This may be easier said than done. Nevertheless, important as are these short-term measures, the future of the British economy and its capacity to bear the enlarged programme of social welfare promised by the new Government depends on the effectiveness of the steps taken to increase efficiency.

The proposals on this aspect of the problem are not so impressive. There is the nowadays standard promise that the Government 'will consult immediately with both sides of industry' on the outline of a plan to increase productivity, and to ensure that an incomes policy which covers all forms of income is also related to productivity. The chances of success in this field are dubious. First, the incomes policy depends on the ability of the Government to persuade the unions with current (and large) pay claims in the pipeline to withdraw or abate them. If they do not, new applicants will join the unending queue. The phrase 'all forms of income' obviously brings in profits and rents. How are profits to be regulated if incentives and the rewards for greater efficiency are to be gained? And in what respect is restoration of rent control likely to improve rather than bedevil the housing situation?

An increase in productivity depends on the allocation of labour. Any redistribution thereof must await the adoption of redundancy schemes and unemployment benefits plus retraining schemes. These are promised and form one of the lynch-pins of the new plan. Unfortunately, all experience to date shows that it is easier to plan these policies than it is to get them adopted by both sides of industry. The review of Government expenditure and the consequent 'release of resources for more productive purposes' will achieve some redistribution of labour. 'Items of low economic priority', as yet unspecified, (although the Concorde is mentioned and the TSR2 project springs immediately to mind) will be abandoned. The consequences for the affected labour force will be obvious. There will be ample scope for the various pressure groups affected by this part of the Government's programme to extract the best possible terms from the Exchequer.

The proposal to set up a Price Review Body is in itself an interesting one, but the speed with which such a body can work is not such as to make it particularly effective. Perhaps the very fact of its existence may discourage too rapid price

increases. On the other hand, the proposals for the 15 per cent surcharge on imports, especially on those goods which enter into the costs of production, may well pyramid in the form of higher domestic prices. Likewise, the costs of any redundancy schemes borne by industry will inevitably have to be passed on in the prices of their products. Higher taxes upon corporate profits may meet the need for higher revenues, but it is by now widely accepted that such taxes tend to be passed on in the form of higher prices. Thus, the combined effects of the import surcharge coupled with the probable increase in corporate taxes could initiate a further upward drift in prices which will make the task of restraining wage increases virtually impossible.

However, the new programme is no more than was generally expected and it would be foolish to expect major changes to flow from it in the first few months.

Company Investigation

WHEN the Board of Trade appoints inspectors to investigate the affairs of a company the appointment causes a certain amount of sensation at the time, but such investigations by their very nature involve laborious and painstaking work, often involving the unravelling of tangled skeins. Moreover, when the inspectors have reported, the Board does not necessarily order the publication of their report immediately. Consequently, by the time the report appears in print, a good deal of the interest has abated. If this were to result in insufficient public attention to the reports when published it would be a pity. There is always at least one lesson to be learned from any report.

Rather more than four years ago the Board of Trade appointed Mr M. K. HARRISON-HALL, B.A., Barrister-at-law, and Mr J. A. ROBERTSON-WALKER, O.B.E., B.A., C.A., to investigate the affairs of Madingley Investments Ltd. These inspectors reported to the Board of Trade on June 16th, 1961, and their report was published on October 19th last.

The report discloses a very sorry story indeed. In accordance with section 169 (1) of the Companies Act, 1948, the Board referred the report to THE DIRECTOR OF PUBLIC PROSECUTIONS who then instituted criminal proceedings against the former chairman and one of the directors. The chairman died during the course of these proceedings; the other director was acquitted.

The company had owned rubber plantations in Malaya until 1957 when it became what is popularly called a 'shell' company. It was acquired with a view to becoming the holding company of a number of subsidiaries then owned by a Mr REGINALD DIXON WETHERELL of which the principal was Wright & Platt Ltd. The intention was to make a public flotation of the shares of Madingley but this object was never achieved, for reasons which emerge very clearly from the report. The report sets out a number of transactions where scant regard was paid to the requirements of the Companies Act, or to the interests of the minority shareholders of Madingley.

When the company was acquired, its directors on March 31st, 1958, caused it to enter into a contract to acquire from Mr WETHERELL his shares in Wright & Platt Ltd and its associates for £350,000. The inspectors say that a case might be made for saying that this figure was not unreasonable, but that it was questionable whether it was appropriate for the directors to enter into the contract in the absence of any firm arrangements for the flotation of Madingley. Cheques totalling £92,000 were drawn in April 1958 and equalled the cash part of the £350,000 consideration. The implication in the balance sheet at March 31st, 1959, and the directors' report is that Mr WETHERELL held this sum as a deposit, and the correspondence implied that he had invested it in securities, whereas, in fact, it was all paid away in connection with Mr WETHERELL's own acquisition of shares in the company.

On December 5th Madingley gave a guarantee to Barclays Bank Ltd in respect of the indebtedness of Wright & Platt Ltd. The inspectors say that they cannot see that Madingley derived any advantage from this guarantee. Whilst they do not consider that the directors had any dishonest motive in giving the guarantee, they do consider

that it was not given in the interests of Madingley, and the directors had acted in a reckless and irresponsible manner.

A good deal of the report is devoted to a transfer to Madingley by Mr WETHERELL of 1,475 shares in Wright & Platt Ltd, at a price of £100,000. The inspectors consider that the object of this was to save Mr WETHERELL from being called upon to pay the £92,000 he owed to Madingley and that it took place after he knew that a petition to wind-up Madingley had been presented. Even if the transaction had taken place, as alleged, *before* the winding-up petition, it was one which the directors ought not to have approved.

Matrix Book-keeping

by A. WAYNE CORCORAN

'. . . the first significant advance in manual methods in many decades'.

In 'The Accounting World' section of our issue dated July 25th, reference was made to an article on 'Matrix Book-keeping' previously published in The Journal of Accountancy *(New York). In response to requests from readers for further information on this subject, we are indebted to the Editor of our New York contemporary for permission to reproduce this article in full.*

IN 1957 Mattessich wrote an article which discussed the application of matrixes to book-keeping.[1] Since then, there has only been occasional mention of matrix book-keeping in graduate theses and other literature. Heretofore, this innovation has been associated mostly with records maintained by electronic data processing; its applications to manual book-keeping have been ignored. However, once knowledge of its simple technique is gained, it becomes clear that matrix book-keeping represents the first significant advance in manual methods in many decades.

One often hears the words 'matrices' and 'sets' in discussions about the 'new' mathematics being taught in grade schools. Matrix book-keeping represents an extension or application of these branches of mathematics to the field of accounting.

Almost everyone is familiar with the word 'set' and, strangely enough, the context in which the word is commonly used is conceptually correct from a mathematical viewpoint. Thus, we may speak of the social set and imply thereby a group of people who are engaged in pleasure-seeking activities. Now what has been done? Well, we have chosen to speak about people or a part of the animal contingent of the larger, presumably exhaustive biological classification set of animal, vegetable, or mineral. So from the exhaustive or all-inclusive set (called the universal set in set theory or, less equivocally, the universe of discourse) we have chosen a part or 'subset' – in this case, the animal set. Then, to focus attention further, we chose still another subset – people who are engaged in pleasure-seeking activities. Prompted by a desire for preciseness we might still go further and specify other subsets such as the golf set (although judging from the grimness and discontent of the practitioners of this art, issue might be taken with this being a subset of 'pleasure-seeking activities'), the tennis set, the yacht set, the martini set, etc. Thus, among other things, set theory is concerned with classifying subject-matter, inferring various attributes of larger sets to its members, and interrelating the sets in the universe of discourse. But isn't this vaguely familiar; isn't it fundamentally what book-keeping is all about?

Matrices embody set theory concepts. A common, though not very illuminating, definition describes a matrix as a rectangular array of numbers; however, if a matrix is viewed as a set of numbers arranged as a grid which contains subsets (any row or column of numbers, or any combination of rows or columns), the adaptation of matrices to book-keeping will be simplified. In matrix algebra, a subset row or column is given a special name which will be used later in this article – it is called a vector. In matrix book-keeping the ordinary account will become a vector whose elements (individual numbers comprising the vector) arise through journalizing transactions.

In this article matrices will be used merely to classify, associate, and summarize financial data. They can also be used computationally as in linear programming, or in such areas as process cost accounting, variance analysis, and consolidated

[1] Richard Mattessich, 'Towards a General and Axiomatic Foundation of Accountancy,' *Accounting Research*, Cambridge University Press, London. October 1957, pp. 328–355.

financial statements. This article, however, is directed solely at acquainting accountants with matrix book-keeping and its efficiencies.

Just what are the advantages inherent in matrix book-keeping? Whereas its primary benefit lies in its time-saving features, an important secondary advantage involves its elimination of opportunities for making some of the more common book-keeping errors. Basically, these benefits are derived from matrix book-keeping:

(1) the consolidation of some journals of original entry into a matrix, thereby obviating the need for much posting;
(2) the reduction of the customary number of figures involved in each entry; consequently with less writing and fewer figures, there are fewer chances for error; and
(3) the decrease in the amount of arithmetic required.

Book-keeping Confined to Square Matrix

Book-keeping is confined to the use of square matrices. The first step in the procedure is to assign numbers to each account – thus the numeral one would be the cash account, the numeral two might be accounts receivable, the numeral twelve might be sales, etc. The columns of the matrix may contain either debits or credits – it doesn't matter – just so long as the rows of the matrix have the opposite. From habit, the author is used to putting debits in the columns and credits in the rows. A transaction is entered in the matrix by placing a single figure in the cell that is the intersection of the proper column (the account to be debited) and the proper row (the account to be credited). Exhibit A shows the entry for the receipt of $600 from a customer. Presently, a complete problem will be presented to illustrate compound as well as single entries. But before this, the method of obtaining account balances must be discussed.

The last three rows and last three columns of the matrix are reserved for entering and calculating account balances. In the third from the last

EXHIBIT A

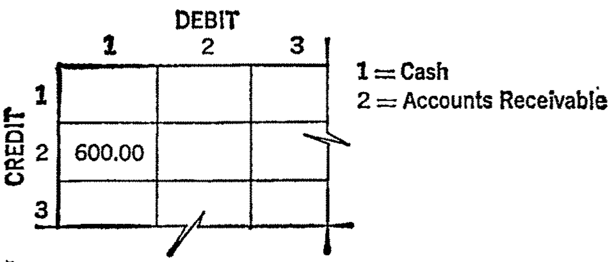


EXHIBIT B

MATRIX COMPANY
POSTCLOSING TRIAL BALANCE
AUGUST 31st, 1932

	$	$
Cash	25,000	
Accounts receivable ..	38,000	
Allowance for doubtful accounts		2,000
Inventory, August 31st, 1932	52,000	
Equipment	60,000	
Accumulated depreciation		20,000
Unexpired insurance ..	2,781	
Accounts payable ..		48,781
Accrued wages		2,500
Capital		104,500
	$177,781	$177,781

TRANSACTIONS FOR FISCAL YEAR AUGUST 31ST, 1932–33:

1. Sales on account $130,000: terms 4/10: N/30
2. Purchases on account $80,000: terms 2/10: N/30
3. Cash received:
   (a) $120,000 of which 80 per cent was from customers who took advantage of company's discount terms.
   (b) $840 from a new tenant representing one year's rent in advance from January 1st, 1933.
4. Cash paid out:
   (a) $73,500 in time to take advantage of 2/10 terms
   (b) $18,600 on other accounts payable
   (c) $27,500 for wages
   (d) $3,000 for advertising
   (e) $800 for incoming freight
   (f) $8,000 for rent.

ADJUSTMENT DATA:

1. Inventory at August 31st, 1933, amounts to $48,000.
2. A three-year insurance policy was purchased on December 1st, 1931.
3. Equipment was purchased on September 1st, 1930. The double declining balance method, 20 per cent residual value, and a ten-year life are used in computing depreciation.
4. It is desired to have 5 per cent of ending accounts receivable as a balance in the allowance for doubtful accounts.

The company uses the perpetual inventory system and the all-inclusive concept of the income statement.

Required: Prepare a worksheet.

EXHIBIT C

MATRIX COMPANY COMPUTATIONS

ENTRY C – Sales discounts:

$120,000 × 80 per cent = $96,000
Let S = original sales
Then, $ 96,000 = 96 per cent S
$100,000 = S
Sales discounts = $4,000

ENTRY D – Rental income:

$\frac{\$840}{12} = \$70$ per month
From January 1st, 1933, to August 31st, 1933, is eight months
Earned rental income = 8 × $70 = $560

ENTRY E – Purchase discounts:

Let x = the original amount of accounts payable
$73,500 = 98 per cent x
$75,000 = x
Purchase discounts = $1,500

ENTRY K – Insurance expense:

From December 1st, 1931, to August 31st, 1932, is nine months
Therefore, at August 31st, 1932, protection would remain in force (36–9) = twenty-seven months
$\frac{\$2,781}{27} = \$103$ per month
Insurance expense = 12 × $103 = $1,236

ENTRY L – Depreciation:

Let C = cost
D_k = depreciation in kth year
N = economic life
i = current year

$$D_i = \frac{C - \sum_{k=0}^{i-1} D_k}{\frac{n}{2}}$$

Year	*Book Value*	*Depreciation*
1931	$60,000	$12,000
1932	48,000	9,600
1933	38,400	7,680

ENTRY M – Depreciation correction:

	$
Correct accumulated depreciation through 1932..	21,600
Depreciation actually accumulated ..	20,000
Correction of prior years' depreciation	$1,600

row and column, the opening balances are inserted. In the next to the last row, the arithmetic sum of the column entries (including opening balances) is entered. In the next to last column, the sum of the row entries (including opening balances) is entered. Finally, the ending balances are entered in the last row and column. This is done by subtraction of the sum of the debits from the sum of the credits and placement of the result in the last column, if it is a net credit, or in the last row if it is a net debit. These principles can best be grasped by checking the ending balances illustrated in Exhibit E.

Note that the lower right corner of the matrix in Exhibit E contains three figures diagonally arranged. These are the grand arithmetic totals of their respective rows and columns. Since there is only a single figure in each of these cells, the total of the debit balances equals the total of the credit balances.[1] Because each figure in the body of the matrix is added once in its row and once in its column, equality of totals must result unless an error in addition is made. Also note that the matrix has been partitioned into balance sheet and profit and loss sections. A profit figure may be obtained by subtracting the subtotals of the profit and loss sections, as has been shown in Exhibit E. Thus all the requirements of the traditional worksheet have been fulfilled by the matrix; however, this has been accomplished with far less work, figures and time.

An illustrative problem is presented in Exhibit B. The computations for the various transactions and adjustments are shown in Exhibit C and keyed into the worksheets through the use of lower case letters. Exhibit D has the coded chart of accounts that is used to prepare the transaction matrix in Exhibit E. And for contrast, a conventional worksheet has been entered in Exhibit F.

If the reader has traced the mechanics of the matrix back to the problem, he realizes how very simple the whole procedure is. If it provided nothing more than a refreshing change from the conventional worksheet approach, matrix bookkeeping would merit serious consideration. In view of its efficiencies, however, matrixes may

[1] The matrix theorist might appreciate the mathematics behind this arithmetical equality:

Let S = a sum vector (a row vector with all elements equal to one)
S^T = a sum vector transposed (a column vector)
A = transaction matrix
$(SA)S^T$ = Total of debits
$S(AS^T)$ = Total of credits
However, since matrix multiplication is associative:
$(SA)S_T = S(AS^T)$

go far toward the relegation of conventional approaches to the graveyard of discarded methodology.

If we looked at the conventional worksheet in Exhibit F, we would certainly expect that the several entries which affect the cash account would result in vastly overcrowded cells in the book-keeping matrix. However, as can be seen from Exhibit E, the entries are widely dispersed according to their individual sources and uses. Compound entries, such as Entry C, present no difficulty; they are broken up into single entries, and entered on that basis. In summary, there is very little that can be done with conventional worksheets that cannot be done with matrices.

Matrix Serves Combined Purpose

The reader may be wondering just how practical matrices are for any but academic problems. Personal experience indicates that book-keeping time is cut about one-third where matrices are employed. The matrix usually serves the combined purpose of the general journal, the cash disbursements journal, and the general ledger. Occasionally, the matrix may be used for the cash receipts journal, if the number of customers is not large. The number of ledger accounts is a limitation to some extent, although use of a control column and row on one page and an exactly offsetting column and row on a second or third page, permits a large number of accounts. For example, suppose one sheet contained all balance-sheet accounts and the next, all profit and loss accounts. One column and row on each page would be designated 'control', and if it were desired to record depreciation, for instance, on the first page, a debit to 'control' and a credit to accumulated depreciation would be entered while on the second page, a debit to depreciation expense and a credit to 'control' would be entered. A much simpler device would be to insert a few 'miscellaneous' columns and corresponding rows. But even this latter expedient may not be necessary since fifty-three-cell-square paper is available which allows detailed financial statements to be prepared.

Monthly comparative profit-and-loss statements are perhaps more easily prepared from matrices than from general ledgers. Because the preceding month's balances are listed above the current month's ending balances, easy subtractions yield figures for the current month.

At this point the sceptical reader must really be chafing at the bit. He may well be thinking, 'There must be drawbacks!' Admittedly there may be problems, but these could hardly be termed drawbacks. It might be noted that new balances must be entered in the third from the last row and column each month, and that this is extra work not now necessary. But this 'drawback' is easily remedied by a sharp pencil and some carbon paper. When computing ending balances one month, the opening balances of the ensuing month may be simultaneously entered. Or it might be observed that cells get filled up. This would indicate that there is sufficient repetition of a particular kind of transaction to merit running an adding machine tape of that type of transaction, entering the total in the proper cell and attaching the tape to the matrix. Weakening, our sceptic might suggest that no record of explanation for entries has been made. But certainly the reverse side of the matrix paper may be used for explanations. As a final objection – voiced with an air of impending victory – the sceptic might offer, 'No one will be able to understand what's going on'. Of course, this will be an overstatement, but granted that many people might not understand the new set of books – isn't secrecy in book-keeping frequently sought? There is also the high probability that leading colleges and universities will incorporate matrix book-keeping into their introductory accounting courses. Consequently, there will be more people who understand it.

EXHIBIT D

CHART OF ACCOUNTS

1. Cash
2. Accounts receivable
3. Allowance for doubtful accounts
4. Inventory
5. Equipment
6. Accumulated depreciation
7. Unexpired insurance
8. Accounts payable
9. Accrued wages
10. Deferred rental income
11. Capital
12. Sales
13. Sales discounts
14. Wages
15. Advertising
16. Rent
17. Cost of sales
18. Depreciation
19. Bad debts
20. Insurance expense
21. Correction of prior years' depreciation charges
22. Rent income

EXHIBIT E

Matrix Company

DEBITS

CREDITS	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	O.B.	ΣC.	E.B.
1				I 800				F18,600 E73,500	G2,500					G25,000	H3,000	J8,000								131,400	
2	C120,000												C4,000											124,000	
3																			N200				2,000	2,200	2,200
4								E1,500									P83,300							84,800	
5																									
6																		L7,680			M1,600		20,000	29,280	29,280
7																				K1,236				1,236	
8				B80,000																			48,781	128,781	35,181
9																							2,500	2,500	-0-
10	D280																							280	280
11																							104,500	104,500	104,500
12		A130,000																						130,000	130,000
13																									
14																									
15																									
16																									
17																									
18																									
19																									
20																									
21																									
22	D560																							560	560
O.B.	25,000	38,000		52,000	60,000		2,781																177,781		
ΣD.	145,840	168,000		132,800	60,000		2,781	93,600	2,500				4,000	25,000	3,000	8,000	83,300	7,680	200	1,236	1,600			739,537	
E.B.	14,440	44,000		48,000	60,000		1,545						4,000	25,000	3,000	8,000	83,300	7,680	200	1,236	1,600				302,001

Rows 1–11: B.S.

Rows 12–22: P&L $130,560

Columns 1–11: B.S.

Columns 12–22: P&L $134,016

Loss $\sum_{i=12}^{22} (c_i - d_i) = (\$3,456)$

An Introduction to Linear Programming

The leading colleges and universities will have other inducements for teaching matrix book-keeping. It will probably be granted that their students, if supplied with matrix paper, could save considerable time on any CPA examination that required worksheets and that they could be more efficient in maintaining manual records and in understanding records maintained by electronic computers. But one of the most attractive reasons for presenting matrix book-keeping in accounting courses will be the natural stepping-stone it offers to introduce the subject of matrices and the closely related topic of linear programming. And once the bridge has been crossed into the optimization problems of linear programming, it is but a small step further to introduce other techniques of operations research. These leading universities could then produce students who would be able to make the needed transition from auditors to management consultants. As matters stand today, auditors spend a considerable amount of time familiarizing themselves with a client's problems and personnel. Then when a major management consulting task presents itself, a new team of experts is called in, who repeat the process; minor problems may not receive proper attention.

Matrix book-keeping represents a significant advance in manual methods. Its techniques are easily learned and through the elimination of duplicated effort, much writing, and much arithmetic, it saves a significant amount of book-keeping time. Since matrix book-keeping is related to matrices and hence to linear programming, it also provides a natural bridge into the study of operations research and the field of management consulting.

EXHIBIT F

MATRIX COMPANY WORKSHEET

August 31st, 1933

	Trial Balance		*Adjustments and Transactions*		*Profit and Loss*		*Capital*		*Balance Sheet*	
	$	$	$	$	$	$	$	$	$	$
Cash	25,000		c 120,000	e 73,500					14,440	
			d 840	f 18,600						
				g 27,500						
				h 3,000						
				i 800						
				j 8,000						
Accounts receivable ..	38,000		a 130,000	c 124,000					44,000	
Allowance for bad debts ..		2,000		n 200						2,000
Inventory ..	52,000		i 800	e 1,500					48,000	
			b 80,000	p 83,300						
Equipment ..	60,000								60,000	
Accumulated depreciation..		20,000		l 7,680						29,280
				m 1,600						
Unexpired insurance ..	2,781			k 1,236					1,545	
Accounts payable		48,781	e 75,000	b 80,000						35,181
			f 18,600							
Accrued wages		2,500	g 2,500							
Deferred rental income ..				d 280						280
Capital ..		104,500						104,500		
Sales				a 130,000		130,000				
Sales discounts			c 4,000		4,000					
Wages			g 25,000		25,000					
Advertising ..			h 3,000		3,000					
Rent			j 8,000		8,000					
Cost of sales ..			p 83,300		83,300					
Depreciation ..			l 7,680		7,680					
Bad debts ..			n 200		200					
Insurance ..			k 1,236		1,236					
Correction of prior year's depreciation..			m 1,600		1,600					
Rent income ..				d 560		560				
Loss						3,456	3,456			
Capital ..							101,044			101,044
	$177,781	$177,781	$561,756	$561,756	$134,016	$134,016	$104,500	$104,500	$167,985	$167,985

The Truth about Pension Preservation—II

by WILLIAM PHILLIPS
Author of *Pension Scheme Precedents*

AN expert lady driver, having to collect a parcel from the dry cleaners, went through the correct procedure to back her car into a gap between two parked cars, but, momentarily forgetting that she was in the large family car and not her own little shopping runabout, she could not get the front wheels in. 'Well,' she thought, 'I'll only be thirty seconds, I'll chance it.' Unfortunately the shop assistant took some little while to find the parcel, and by the time the lady driver emerged on to the pavement both the car in front of her and the car behind had gone. Admittedly her own car did look rather peculiar, jutting out into the road at an angle of 45 degrees; but what was worse, a very young policeman was standing by it, helmet pushed back and scratching his mop of red hair. 'Did you leave that car like that, madam?' he asked. The lady having admitted the offence he continued: 'Well, all I can say *is* . . . *all I can say, is,* I'm speechless!'

When politicians, who know little about the subject, talk nonsense about preservation and transferability – when pamphleteers who know even less mistakenly rely on what the politicians have said – when both employ their ability to string sentences together and (relying on the mesmeric effect of printer's ink) make nonsense read as though it were at least sensible in part – then the writer must confess that he is far from being rendered speechless – but his words are hardly printable. No one looks more ridiculous than he who, when the spirit stove overturns during the picnic and sets fire to the heather, rushes wildly about yelling 'Everyone get a lot of wet sand!' and does nothing about it himself. Parliamentarians who yell for transferability are in precisely this position; for of all employers in this country – who are they whose institutional pension schemes never, under any circumstances, at any time, pay transfer values to any commercial firms' schemes? *Answer:* Those of Government departments, Government sponsored institutions, and the municipalities!

No Wet Sand

True it is that these schemes pay transfer values to one another, but never, never, to any other scheme. While everyone else is being exhorted to get a lot of wet sand to douse the conflagration of pension scheme rights, the Government itself has no wet sand to offer. This seems to the writer to be the greatest of all the three main impediments to transferability – the supine attitude of the Parliamentarians themselves; and one says Parliamentarians because both Her Majesty's Opposition and Her Majesty's Government have had their hour of power since the war. To remove impediment number one, the insidious cash refund, would, as we have seen, require a statutory enactment and might take up a whole day of Parliament's time, say twice as long as was occupied by the 1957 fiasco referred to below; to order Government and municipal schemes to do what commercial schemes are being so vociferously exhorted to do, *and which many of them are in fact doing already,* would require nothing more than a written question, a short explanation, and a ministerial direction.

The remedy for this second impediment to preservation of pension rights is 'ridicule'. The next time any politician refers to 'the limited extent of preserving pension scheme rights when workers change their employment' (the reported words of the former Minister of Labour), all that it is necessary to reply is 'What about the Government?' It really is a piece of colossal cheek to assume that no employer is aware that it is the Government who alone is not collecting any wet sand, while mistakenly exhorting everyone else to do so – mistakenly because, just as the best way to quench a heath fire is to beat it out rather than to search for wet sand, the way to get rid of the three impediments to transferability lies in a different direction than that proposed by the politicians.

When the Employee Returns

True it is, also, that few institutional schemes *compel* the trustees to pay transfer values; how could any sane draftsman put a provision into the pension scheme constitution of the Blank Manufacturing Company compelling the trustees to pay a transfer value to the appropriate governmental department's scheme, when one of its employees is tempted to transfer to civil service employment, knowing that if after twelve months that employee does not find limitless cups of tea adequate compensation for other working conditions, and returns to his original employer, his transfer value will not return with him?

The writer is not aware of a single institutional contributory pension scheme established during the past decade (other than national and municipal schemes) which does not give the trustees *power* to pay transfer values, so leaving the door wide open for inter-company negotiations for reciprocal arrangements. Indeed, some schemes which contain such a power have made a practice of invariably using it, without having waited for any reciprocal agreements, whenever their ex-employee's new employer has had a scheme capable of receiving a transfer value and giving value for money. Where this cannot be done they preserve accrued rights for their ex-employee in their own scheme.

Leave it to the Experts

Those who have been concerned about the preservation of pension scheme rights when workers change their employment, for decades longer than 'the little time' during which, according to the previous Minister of Labour, it has been 'concerning the Government,' realize, if they understand the subject, that it is useless to point out the impediments unless one can show how these impediments are to be removed.

In the first part of this article in last week's issue it was shown that the first of the three main impediments – the members' insatiable appetites for cash refunds – can be removed at any time that Parliament is minded to enact an amendment to section 379 of the Income Tax Act, 1952. It would seem at first glance slightly illogical that the way to overcome the third impediment is to require politicians not to meddle with things they do not have time to understand, were it not that, to remove the first impediment, they are but being called to put right something the politicians clearly did not understand in 1921.

In the writer's opinion the third impediment holding up preservation and transferability is that the issue is clouded by attention being concentrated on the wrong points because too many of those who are most vociferous do not sufficiently obtain the guidance of experts. The following example of the result of not doing so is but one of many which could be cited.

Not such Ancient History

In the Report of the Taxation Treament for Retirement (Millard Tucker No. 2 Committee) of 1954, there occurs in paragraph 184 the following recommendation in respect of the payment of transfer values from one pension scheme to another:

> 'We therefore recommend that the existence of a rule permitting such a transfer should not be any obstacle to approval.'

Read out of its context, this passage could be taken by those unfamiliar with the provisions of institutional pension schemes as meaning that the Commissioners of Inland Revenue refuse to approve any pension scheme which contains a rule providing for the payment of transfer values! This assumption was, indeed, accepted as fact in a debate which occupied the House of Commons from early afternoon until after tea-time on July 2nd, 1957, and concluded with a statement from a Government spokesman to the effect that the subject was fraught with difficulties but that it would be looked into with a view to dealing with it in the following year.

One would not dig up history of seven years ago had not precisely the same ill-founded point been raised again in the Commons on June 30th of this year. The debate upon it would have been valuable indeed if the supposed evil had existed, but in fact at no time since 1921 has the Inland Revenue demurred at the inclusion of power to pay those transfer values which, as we have seen, are so commonly to be found nowadays in institutional schemes. What is the explanation of this misunderstanding which unhappily still exists, since reference was again made to it in the House this year? Unfortunately, those who took part in the debate had failed to notice that paragraphs 138 to 270 of the Millard Tucker Report, in which recommendations for the future were set out, contained proposals not only for instituting innovations but also for retaining certain features that already existed. Before quoting paragraph 184, a turning back no further than to paragraph 182 on the previous page would have shown that the quoted words came in the latter class! It already existed, and always had, since 1921.

Weekly Notes

ACCOUNTANTS' CHARGES

THE House of Lords have refused an application by Dr Satya Ranjan Ghosh, of Howitt Road, Hampstead, for leave to appeal to the House of Lords against a judgment of Sir Alan Pugh at Bloomsbury County Court, awarding Harvey Lemon & Co, Chartered Accountants, £48 6s and costs for professional fees in preparing Dr Ghosh's income and expenditure account for income tax purposes. The Court of Appeal had rejected the doctor's appeal (*The Accountant*, July 4th, page 12).

Dr Ghosh, who conducted his own case, was told by Lord Hodson, presiding, that the Appeal Court decision appeared to turn on a matter of fact – whether the charge was reasonable – on which there was no right of appeal.

CIGARETTES ARE NOT MATCHES

A PICTURESQUE attempt by the Customs and Excise Department to exact both cigarette (or tobacco) duty and match duty on self-igniting cigarettes received a reverse in the High Court last week (*Autolite Cigarette Co v. Customs and Excise*) (*The Times*, October 20th). Mr Justice Marshall held that such a cigarette was not also a match.

The cigarettes in question were manufactured in the usual way subject to the following modification: the cigarette-making machine had an attachment which caused small, chemically-treated strips of paper to adhere to the cigarette paper at appropriate intervals; in the centre of the strip was a round, red spot of another chemical preparation. This spot covered and showed through a hole already punched in the cigarette paper. After the cigarette paper was filled, rolled and sealed it was cut into appropriate lengths in such a way as to leave the chemically-treated paper adhering to the inside of the cigarette paper at the tip of the cigarette, with one-half of the red spot showing through one-half of the punched hole. Two sides of the cigarette packet had been treated to form a rough surface, not unlike the striking side of a matchbox.

Mr Justice Marshall was satisfied that the igniting agent built into the cigarette was incapable of generating a flame, although it did occasionally produce a tiny free-flying spark. The normal action of the device was to produce sufficient combustion to cause the chemically-treated strip round the end of the cigarette to act as the lighting agent, by an action similar to that of a fuse. No one could reasonably think that by detaching the white strip from the cigarette, it could be used to ignite other objects in substitution for the ordinary match. The article in question was self-lighting cigarettes; it was not a cigarette and a match.

The case raised the problem that although the Acts give no definition of 'match', they do define a mechanical lighter in terms so wide as to include a match. So far the Department has not sought to levy duty on a box of matches on the footing that it is not only a box of fifty matches but also fifty mechanical lighters. It is high time, however, that the Acts defined matches as well, and redefined lighters in such a way as to make the two definitions plainly exclusive of each other.

GROWING DEMAND FOR LABOUR

FIGURES released at the end of last week show the number of unemployed at mid-October to be just under 348,000. This was the lowest October figure since 1960 and represents an unemployed percentage of only 1·5. This is the same percentage as in September and compares with 2·1 per cent in October 1963.

Usually there is a seasonal increase of about 27,000 in wholly unemployed between September and October, excluding school-leavers. The increase in October 1964 has been rather less than 18,000. This suggests that there is a strong undercurrent of demand for workers.

These figures come at the end of a period when school-leavers have been particularly quickly absorbed into the labour market. The unemployment figures are in fact going to be somewhat difficult to interpret if the demand for labour stays steady while industrial production, as measured by the official index, continues to make no headway, for some allowance must be made for the fact that the productivity of labour must be increasing. It will be necessary to have a run of figures through the autumn before the precise meaning of the unemployment figures becomes apparent. Meanwhile the country is running in a state of very full employment.

E.C.G.D. BUSINESS IN JULY–SEPTEMBER

BUSINESS declared under the Export Credits Guarantee Department's 'Commercial' insurance during the third quarter of 1964 at £277·4 million was a record for this quarter, though well below the record figure of £314·6 million in the previous quarter. The figure for the corresponding quarter of last year was £274·9 million. The figures do not include four financial guarantees signed during the quarter for contracts totalling £67 million: the polyspinner plant for Russia, the Algerian pipeline, a steel mill for Finland, and a textile plant for India.

The number of comprehensive policies current at the end of the quarter was again a record at 7,354, compared with 7,174 at the end of the previous period. The face value of these policies was £1,309·8 million, compared with £1,263·5 million at the beginning of the quarter.

New specific policies (covering individual contracts)

to a face value of £26·6 million were issued during the quarter. The total of new business insured where terms have exceeded six months' credit was £66·9 million.

BUILDERS KEEP IT UP

A STATEMENT was issued by the National Federation of Building Trades Employers last week based on replies to questionnaires sent out by the Federation to its members. According to the Federation these replies indicate that the building industry is coping with the 4 per cent annual growth target set by the National Economic Development Council.

The volume of inquiries for new work and work in progress is reported to be rising quickly. The Federation is clearly more worried about how the work is to be done than the volume of work on hand. Commenting on the answers it said that there is no sign of a general improvement in the supply position of bricks, copper tubes and to a lesser extent sanitary ware. There is clearly also some worry about the supply of reinforced rods and cement in the next few months as large non-housing programmes gather impetus.

Labour difficulties are also being encountered over lack of carpenters, bricklayers and plumbers. The Federation thinks that the smallest building firms, meaning those employing less than fifty men, are not fully sharing in the large influx of new work and it also thinks that the building industry is still tendering at prices which are so keen that there is an inadequate profit margin.

This is My Life . . .

by An Industrious Accountant

CHAPTER 248

I FOUND myself jobbing backwards in my musings recently to the time when as a young qualified accountant of just seven months' experience and hungry for fields to conquer, there seemed to be a lamentable hiatus between my current salary and the remuneration I might reasonably assume to be commensurate with my ability, as the situations vacant columns phrase it. An early upgrading of my present job or the prompt search for another, was imperative.

I was sunning myself at the edge of the big holiday bathing-pool while I pondered the next step. All around stretched recumbent bodies, pink or tanned; while against the wall, on leisurely deck-chairs, sat other groups of holidaymakers. They could relax without a care in the world; I alone was a young man in a hurry, looking forward in anxiety.

If only there was a short cut to success and affluence! Surely somewhere among the crowd was a harassed managing director seeking a sound and highly-skilled right-hand man, devoted, tireless, tigerish in action. Near me, indeed, was one I had been watching for a week past; his clothes, manner and sleek roadster all spoke of wealth. His dark glasses and habit of studying *The Financial Times* while sunbathing, surely betokened an international multimillionaire? Maybe he had a beautiful daughter, lonely and misunderstood; maybe his tax assessments and reliefs were in a mess; maybe he'd never heard of seven-year covenants allowable as deductions? Maybe he could use my expert services?

Maybe, or maybe not, it mattered little unless I could make an immediate and favourable impression on him. If only his infant son would fall in at the deep end . . . if only he'd drop his bulging wallet . . . too late now; it was nearly lunchtime; the crowd was thinning. I'd better be sensible, brush up my French, and apply for a job abroad as travelling auditor. *Avaunt*, daydreams!

Just then it happened. Before my very eyes, in the deep end, a bather was in difficulties. A woman, face purpling, eyes glaring, was thrashing about, sinking, drowning. Others appeared not to hear her gurgled calls for help; I dived in like lightning. As I went down I hoped Dark Glasses was watching; as I came up I had a vision of a wealthy childless widow. There would be photographs in the paper; the mayor shaking hands; a presentation from the life-saving society, gold medals and certificates. . . . (Better check up on legacy duty and gifts *inter vivos* in case the widow was suitably generous.)

She went under again as I reached her, but I got her under the armpits and brought her up. She promptly wound both arms around my neck and brought me down; but I wrenched free. She clawed frantically at my hair and shoulders . . . down again, up again . . . near the ladder . . . she thrust me under in a last desperate struggle.

When I came to the surface I was exhausted. The victim was clinging to the lower rungs, wheezing hoarsely; she climbed up clumsily and vanished from sight. No one seemed to have noticed our life-and-death struggle; they probably thought we were frolicking; I'd barely enough strength to get out.

As I lay collapsed and gasping, Dark Glasses looked up from his paper. 'You young fellows are foolish to overdo it', he said sternly. 'Stick to the shallow end until you can swim properly or someone will be drowned trying to rescue you.'

I said nothing. I sat waiting for the victim to reappear, dabbing a bleeding shoulder, but she never came back. That's why I'm not wealthy today.

Reviews

Network Analysis for Planning and Scheduling

by A. Battersby, B.SC., F.I.R.C. (Macmillan & Co Ltd, London. 42s net.)

Network analysis – with its specialized derivatives such as critical path method (C.P.M.), PERT, RAMPS – is of transatlantic origin and this may not have speeded its acceptance in Europe. It is a new technique for planning work – just that and not, as Mr Battersby rightly points out, 'a philosopher's stone for turning bad management into good'. But planning is accepted as one of the prime functions of management, to be followed in time by control. Network analysis not only applies logic to planning, but also enables control to retain 'its true meaning (adjustment to unpredictable changes) . . . . Network analysis is a capital investment of thought which pays its dividend in the form of easier control, avoidance of improvisation and utilization of resources'. This statement should be understood as having come from an author of great modesty who, though he is handling an exciting subject from a standpoint of real knowledge, makes no extravagant claims, uses no unnecessary jargon and succeeds entirely in explaining a new technique in simple language.

What then is the place of network analysis in Britain today? Mr Battersby, after making due allowance for the fact that Government pressure with regard to the use of PERT on defence contracts is only now beginning to be exerted, while the U.S. Navy invented PERT for the Polaris project in 1958, finds large businesses in Britain taking the subject seriously but rather unimaginatively, with the rest of the business community inclined to do nothing and hope the craze will pass.

This book, in the space of 176 pages, demonstrates clearly that network analysis is a power for good in planning of all kinds. In the more simple cases – where there are up to one hundred activities to be allowed for in the plan – there is no need to think of using a computer; where activities expand into the thousands and electronic data processing is required, costs of using network analysis range from 0·2 per cent to 5 per cent of total project cost, with a mean of 1·8 per cent and a modal value of 1 per cent. So neither size nor cost should deter.

Nor can the type of operation being planned serve as an excuse for ignoring the technique. Mr Battersby's two central examples are the publishing of a book and a bit of planned maintenance in an oil refinery – which could just as well have been any other process industry. But it is obvious that the techniques can be applied very widely indeed, to include all construction and maintenance programmes, research and development work, computer programming, bids, mergers and flotations, cost reduction schemes, and Mrs Russell's preparation of sweet and sour pork, as quoted by the author.

It is interesting that a recent American survey showed that approximately 30 per cent of private commercial applications of network analysis were on the office side, including computer installation, cost reduction and the preparation of bids and proposals. This is obviously a technique which has come to stay, and one for which the accounting profession should provide many of the exponents. As a first step, accountants should read Mr Battersby's book, and as a second, should take the trouble to read up some elementary statistical theory. If they value a prosperous economy for the country they should then seek opportunities for bringing logic to planning through the use of network analysis.

Mr Battersby's book, in addition to its other charms including stimulating exercises with model answers and a good bibliography, makes network analysis seem so obvious that it is hard to understand why America waited until 1958 to formulate the theory, or even less why six years later it is still relatively little used in Europe.

Studies in the National Balance Sheet of the United States

Vol. I by R. W. Goldsmith and R. E. Lipsey; Vol. II by R. W. Goldsmith, R. E. Lipsey and M. Mendelson (Princeton University Press. London: Oxford University Press. Vol. I, 68s net; Vol. II, 60s net.)

This study represents the fruits of a major undertaking in the field of economic statistics. Volume I, which contains the essence of the work, comprises three parts dealing with the statistical problems involved in drawing up a national balance sheet, another section deals at some length with the difficulties of valuing particular assets in periods of changing prices, while a final part examines the problems of placing a value on the largest single component of national property, i.e. houses. Volume II contains the statistical tables and information upon which Volume I is based.

This is primarily a study for economists, but accountants who have strong views on the accounting problems arising from the changing value of the currency will find a good deal to interest them in the discussions of the statistical problems arising from variations in the general price level. In addition, there are some interesting comments on the theoretical and practical problems involved in this type of exercise.

Sterling in the Sixties

by C. McMahon (Oxford University Press, London. 8s 6d net.)

This is the fourth in a series of Chatham House essays, which reviews the position of the United Kingdom with special reference to the balance of payments problem and the general problem of the international monetary

policies, particularly the problem of international liquidity. Mr McMahon starts from the premise that the United Kingdom is no longer a sovereign nation, neither economically nor politically, and that sterling has to be made to fit into an international currency structure. He rightly points out that even if this is done it still leaves the problem of improving the underlying imbalance of the United Kingdom overseas payments account.

This is an excellent review, readably presented, of one of the major economic problems of the United Kingdom at the present time, and can be strongly recommended to any accountant interested in international economic affairs.

Air Transport Policy

by S. Wheatcroft (Michael Joseph Ltd, London. 25*s* net.)

The recent controversy over B.O.A.C.'s views on the new Vickers aircraft has again brought into prominence the problems of Britain's national airlines. Few people, however, are acquainted with the background of this controversy and the problems involved in making yet another nationalized industry 'pay'. Mr Wheatcroft not only knows a great deal about his subject, but is also an adept writer, and this volume in the 'live issues' series produced by the publishers deserves a wide audience.

Quite apart from all the interesting matters that Mr Wheatcroft raises in connection with airline operation, some of the most valuable points he has to make concern the basic issues of economic planning and policy formulation. As he puts it, the relationship between the airlines and the aircraft manufacturing industry is the root problem of a clear aviation policy and, not unreasonably, he asks that the answer should be clearly stated by those concerned.

RECENT PUBLICATIONS

Management Accounting. A Practical Approach, by R. E. V. Duck, B.COM., A.C.I.S., and F. R. J. Jervis, PH.D., M.SC.(ECON.), B.COM., A.M.B.I.M. 303 pp. 9×6. 18*s* 6*d* net. George G. Harrap & Co Ltd, London.

Principles and Practice of Statistics, by Carl J. Grohmann, B.COM., A.C.I.S., A.B.S.M. 272 pp. 9×6. 22*s* 6*d* net. George G. Harrap & Co Ltd, London.

Measuring Office Work, by Laurence H. Bunker. vii+80 pp. 7½×5½. 10*s* 6*d* net. Sir Isaac Pitman & Sons Ltd, London.

Records for Profitable Farming, by G. H. Camamile and T. W. D. Theophilus. 176 pp. 8½×5½. 21*s* net. (U.K. only). Hutchinson & Co (Publishers) Ltd, London.

Marketing Management, by Martin Zober. x+483 pp. 9½×6. 60*s*. John Wiley & Sons Ltd, London.

A History of British Insurance, second edition, by Harold E. Raynes, F.I.A., F.C.I.I. vi+394 pp. 9×6. 55*s* net. Sir Isaac Pitman & Sons Ltd, London.

These books may be obtained from, or through, Gee & Co (Publishers) Limited, The City Library, 151 Strand, London WC2.

Finance and Commerce

Both Imperial Chemical Industries and Transparent Paper make comment on the first half-year's trading and give an indication as to how the second half-year is expected to run. The British Petroleum Company sticks to the figures but the figures themselves are full.

Half-year Reports

SINCE the London Stock Exchange Council issued its combined directive and recommendation on company reporting there has been a very marked increase in the number of companies providing half-yearly reports. In a number of cases company directors have entered into the spirit of the directive on half-year reporting and others have merely 'gone through the motions'.

Reprinted this week are three half-yearly statements, each of which is a sound example of what can and should be done. In two cases, Imperial Chemical Industries and Transparent Paper, there is evidence of something more than mere compliance with the Stock Exchange's suggestions. Imperial Chemical Industries will report trading results on a quarterly basis beginning with the first quarter of 1965.

The Transparent Paper company's announcement mentions that the company already meets the Stock Exchange's requirements in many respects but that 'the position will be reviewed before the next annual accounts'.

Reluctance

It should be emphasized that these three companies are not breaking any new ground in providing half-year figures. For them it is regular practice.

In many instances, however, half-yearly statements show the reluctance that has to be overcome if informative statements are to become the general rule.

The directors of Chiesmans Ltd, a department store company, announced, for example, that group sales for the half-year were 5 per cent in excess of the same period of the previous year and that profits, notwithstanding continued increase in overheads, were following the same pattern. Admittedly such an assurance that the business is more than holding the improvement shown in the year's accounts to January 31st – issued in May – is worth having. But it is most decidedly not up to the standard of information now expected from public companies. It is almost as if the directors flatly refuse to be modern – and there is now no excuse for not knowing what 'modern' means in this context.

What is now wanted is a half-year profit figure. Failure to give it to shareholders is just sheer obstinancy.

The Cost

Many companies may possibly be concerned at the cost of keeping shareholders directly in touch every six months. Stationery, printing and postage costs can be heavy but are they necessarily heavy in terms of company shareholder relationships?

There may be shareholders who would prefer a half-yearly report through the post – an informative half-yearly report, naturally – in exchange for a less glossy, highly-illustrated and expensively produced annual report.

The problems and the cost are acknowledged but surely they do not pose insurmountable obstacles once the willingness to make the effort is there.

Another point that may be raised in connection with half-year reports is the manner of their reporting. Is a company which gives a report of a dozen words or so to the Stock Exchange and to the Press making, in fact, a half-year statement to its shareholders?

Admittedly the shareholder has a duty – if only to himself – to keep in touch with the operations and performance of a company in which he holds shares. But a shareholder probably has much more to do than scan the City columns every day to see if one of the companies in which he holds shares has made any kind of statement.

The shorter the statement the more difficult it is to find, and the more unimpressive it is the less it will be reported even by newspapers which can afford the space to give fairly extensive coverage to company news items.

A City page is not necessarily a company results notice-board. The duty of company directors on half-year reports does not end with issuing to the Stock Exchange and to the Press a statement saying that six months' trading compares satisfactorily with the corresponding period of the previous year.

THE BRITISH PETROLEUM COMPANY LIMITED

The Board of The British Petroleum Company Limited to-day declared an Interim Dividend for 1964 of

EIGHT PENCE, FREE OF INCOME TAX
per £1 unit of Ordinary Stock.

Transfers lodged up to the close of business on Friday, 25th September, will rank for this Dividend, to be paid on 7th November 1964.

The 1963 Interim Dividend of eight pence was equivalent to six point seven pence per £1 unit of Stock, free of Income Tax, on the present issued Ordinary Stock.

The unaudited Income Statement of the Group for the half-year ended 30th June 1964 is given below. A provision of £5 million has been included in the figure shown for Overseas Taxation pending the conclusion of negotiations with the Middle East Governments concerned.

	Jan/June 1964	Jan/June 1963	Year 1963
		Millions of tons	
Group Sales – Crude	19·9	*18·4*	*35·6*
– Products	30·6	*28·3*	*57·0*
Total	50·5	*46·7*	*92·6*
		£ million	
Sales Proceeds	597·0	*561·2*	*1,154·8*
Deduct: Customs and Excise Duties etc.	200·6	*176·9*	*379·2*
Net Sales Proceeds	396·4	*384·3*	*775·6*
Dividend and Other Income	16·2	*13·9*	*28·3*
Sub-Total	412·6	*398·2*	*803·9*
Cost of Oil, Transportation, Refining, Marketing etc.	281·1	*278·4*	*557·1*
Depreciation and Amounts Provided	26·0	*26·0*	*51·2*
Interest on Long-term Debt	2·0	*2·0*	*4·0*
Sub-Total	309·1	*306·4*	*612·3*
Income before Taxation	103·5	*91·8*	*191·6*
Taxation – Overseas (includes £5m provision mentioned above)	63·3	*53·5*	*105·9*
– U.K.	1·0	*(0·3)*	*2·4*
Income after Taxation	39·2	*38·6*	*83·3*
Applicable to Minority Shareholders	0·2	*0·1*	*0·5*
NET INCOME OF THE GROUP	39·0	*38·5*	*82·8*

TRANSPARENT PAPER LIMITED

The following are the unaudited Group interim figures for the half year to 27th June, 1964, with comparative figures for 1963, (to the nearest £1,000).

	June 1964	June 1963
Group Profit on trading	£393,000	*£296,000*
Less Depreciation	187,000	*195,000*
	206,000	*101,000*
Tax relief on Investment allowances	32,000	*33,000*
Taxation over-provided in respect of previous years	1,000	*8,000*
	239,000	*142,000*
Less income tax and profits tax	129,000	*77,000*
Available	110,000	*65,000*
To Debenture Redemption Reserve	1,000	*1,000*
Preference Dividend net, paid	4,000	*4,000*
Ordinary Dividend net:		
Interim of 5% (5%) now declared	42,000	*42,000*
Unallocated	63,000	*18,000*
	£110,000	*£65,000*

The Interim Dividend now declared is payable on 20th October next to Shareholders on the Register on 23rd September, 1964.

Shareholders will have noticed that the Chairman of the London Stock Exchange has asked that more information be given to Shareholders, and has made certain suggestions to that effect. Your Company has for some time supplied most of the information mentioned in that it publishes half yearly reports and includes turnover and ten year statistics in its Annual Report but the position will be reviewed before the next Annual Accounts.

Owing to the fire in September last we have not yet been able to expand turnover but a proportion of the new moisture-proof material is now in production and we should be back to normal before the end of the year. Trading in the last half of the year, therefore, may be expected to follow the trend of the first half.

Transonier Limited is about to start production in Bury from the solution manufactured on site. Production to date has been carried out from American partly processed material. The products have been well received and reports on quality are favourable.

CITY NOTES

THE City received the first instalment of the new Government's economic measures calmly. It realized that something had to be done about the yawning trade gap, now said to be approaching £800 million, and from the stock-market's point of view the proposals did little to upset share values. There were some price adjustments, of course. Shares of companies importing cars, motor cycles, cameras, wines, watches and jewellery were marked back, but those of undertakings likely to benefit from the export concessions such as motors, textiles, chemicals and other big overseas sellers improved.

As is often the case, however, the City has no sooner surmounted one uncertainty than it is faced with another. Industrialists wonder how far the import tax will induce reprisals against United Kingdom exports despite the Government's assurance that the measures are temporary. Then there is the question of the interim Budget in a few weeks' time. Will this contain the real medicine as opposed to the latest emergency treatment or will it merely be a sample of stricter measures in April should the present moves prove insufficient? The market is by no means sure that it can escape some harsher curbs.

Even the Government does not pretend that the latest moves are more than a temporary injection to tide the patient over until the longer term treatment can begin. One thing seems certain, however, and that is that the older short-term remedies of Bank rate and purchase tax which have been derided by the new administration as the basis of 'Stop-go' policy will only be used in the broader context of an overall economic programme and not as measures in themselves.

* * * *

THE multi-million Courtaulds group is now getting down to the task of integrating and aligning its recently-acquired textile interests. It has just announced the formation of its Northern board management structure – the first step in merging the activities of The Lancashire Cotton Corporation and Fine Spinners and Doublers – and it could be the pattern for other similar operations.

Initially three management groups are to be formed with responsibility for cotton type spinning, Lancashire weaving and converting, and Yorkshire woollens and worsteds.

Individuals have been charged with responsibility of ensuring liaison within the five fields of dyeing and finishing, processing, knitting, furnishing fabrics and the French interests of Fine Spinners.

Full integration of these interests with the Courtaulds group could have far-reaching effects not only on the companies being integrated, but for the industries in which they play a leading part. It is a big development in an industry which is rapidly becoming closer knit and more competitive.

* * * *

AN agreement that will increase the flow of goods between Britain and the United States has just been concluded. A two-way transatlantic factoring service for United Kingdom and U.S.A. manufacturers selling goods to each other's country has been inaugurated by an arrangement between Shield Factors Ltd, of London, and William Iselin & Co Inc, of New York.

The participants in Shield Factors are N. M. Rothschild & Sons, Anglo-African Shipping Co (S.A.); C. T. Bowring & Co; Eagle Star Insurance Co; Industrial Commercial Finance Corporation Ltd and Kleinwort Benson Ltd.

On the American side, Iselin's, founded 150 years ago, is the oldest and one of the largest factoring and commercial institutions in America. It is a wholly-owned subsidiary of the C.I.T. Corporation.

RATES AND PRICES

Closing prices, Tuesday, October 27th, 1964

Tax Reserve Certificates: interest rate 19.3.64 2¾%

Bank Rate

July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%

Treasury Bills

Aug. 21	£4 13s	0·98d%	Sept. 25	£4 13s	0·80d%
Aug. 28	£4 13s	1·47d%	Oct. 2	£4 13s	0·44d%
Sept. 4	£4 13s	1·26d%	Oct. 9	£4 13s	0·96d%
Sept. 11	£4 13s	0·57d%	Oct. 16	£4 14s	4·69d%
Sept. 18	£4 13s	0·70d%	Oct. 23	£4 14s	5·44d%

Money Rates

Day to day	3⅜–4⅝%	*Bank Bills*	
7 days	3¼–4½%	2 months	4⅞–4 15/16%
Fine Trade Bills		3 months	4⅞–4 15/16%
3 months	5¾–6¼%	4 months	4⅞–4 15/16%
4 months	5¾–6¼%	6 months	4 15/16–5%
6 months	6–7%		

Foreign Exchanges

New York	2·78½	Frankfurt	11·06⅝
Montreal	2·99 5/32	Milan	1739½
Amsterdam	10·02	Oslo	19·94⅝
Brussels	138·15½	Paris	13·64⅝
Copenhagen	19·29⅝	Zürich	12·01½

Gilt edged

Consols 4%	65¼	Funding 3% 59–69	90 3/32
Consols 2½%	41¾	Savings 3% 60–70	87⅛
Conversion 6% 1972	103⅛	Savings 3% 65–75	77¾
Conversion 5¼% 1974	97 15/16	Savings 2½% 64–67	93 3/32
Conversion 5% 1971	97 11/16	Treas'ry 5½% 2008–12	90 9/16
Conversion 3½% 1969	91 9/16	Treasury 5% 86–89	86½
Conversion 3½%	56⅞	Treasury 3½% 77–80	76¾
Funding 5½% 82–84	95 9/16	Treasury 3½% 79–81	75½
Funding 4% 60–90	92⅜	Treasury 2½%	41½
Funding 3½% 99–04	64¾	Victory 4%	97⅝
Funding 3% 66–68	90 15/16	War Loan 3½%	56½xd

National Taxation Conference

SUCCESSFUL EVENT AT TORQUAY

THE fourteenth National Taxation Conference, organized by our contemporary *Taxation*, was held at Torquay from Friday of last week until last Monday. There was an attendance of several hundreds and once again the occasion was a notable success.

The conference was presided over by Mr Percy F. Hughes, Editor of *Taxation*, and the papers on various aspects of tax law and practice proved of great practical value and interest. Other features of the conference were a number of enjoyable social functions and a special programme for the ladies, together with a golf competition for the *Taxation* Challenge Cup which was won by Mr J. Rosser, A.C.A., of Langport, Somerset.

CHAIRMAN'S OPENING ADDRESS

In the course of his opening speech on Friday afternoon, Mr Percy F. Hughes said:

Much has happened since we last met and we now have a different Government which no doubt will in due time make known its fiscal policy. If we have an interim budget we may know more about this fairly soon. In any event, we must anticipate some changes next April and indeed, there are many points to which attention should be given whatever Government may be in power, although many could have effect in the long, rather than the short term. I am at least thankful that on this occasion the election took place one week earlier than the week in which this conference has begun; there having been two previous occasions when the election date conflicted more nearly with the date on which we opened our conference.

One of the points which I have spoken about before, but I make no apology for doing so again, concerns the need to even out the stages of graduation of our charge to income tax, and I would suggest that this should incorporate the progressive rates of surtax, preferably so that there is in fact a single tax, the administration of which would be dealt with in the tax districts rather than partly by the districts and partly by the Special Commissioners dealing with the charge to surtax centred at Thames Ditton.

It is, of course, difficult to appreciate at this early stage whether the new Government will be more attracted towards an expansion of our indirect tax system instead of the direct tax system, but if they extend our social services to any degree, they are likely to require finance from both quarters but may feel that the indirect method is the less painful.

When we were contemplating entry into the Common

On the platform at the opening session of the conference: (*left to right*) Mr E. Bramley (*a Senior Principal Inspector of Taxes*); Mr W. L. Milligan, B.A., C.A., J.P. (*Immediate Past President, The Institute of Chartered Accountants of Scotland*); Mr P. F. Hughes (*Editor of 'Taxation', Conference Chairman*); Mrs T. J. M. Staples, Mr H. P. Kennett (*Conference Secretary*).

Market, it was felt that we might well have a trend away from direct taxation towards indirect taxation and this could well be the general direction which will be followed in the next year or two.

It may be that the new Chancellor of the Exchequer will look for a widening of the provisions of Case VII of Schedule D, dealing with short-term capital gains. I feel, however, that it is important to remember the principle which was said to lie behind the introduction of Case VII. This was that people were really turning capital gains into a source of income and, therefore, it was proper that these should be charged to income tax. For my part, I feel that income tax should still be a tax on income and if the six months' period or three-year period which govern the charge arising under Case VII of Schedule D, where there are acquisitions and disposals of assets, are extended, there will be a departure from the concept of income in relation to transactions which are charged to income tax under Case VII.

Estate Duty has always been a favourite hunting ground of Chancellors of the Exchequer but I hope most sincerely that if anything is to be done in this direction, it will not be merely a raising of rates but will include a new look. In particular the law requires consolidation and codification, a task which is becoming more and more urgent and as further amendments are made by successive Finance Acts, the task becomes more and more difficult.

I do not think the old principles which go to make a good tax should be forgotten, although this does seem to have been the tendency over recent years. This is perhaps partly due to the increasingly complex nature of our economy and in part to the difficulty of providing legislation which closes the loopholes but remains incapable of being understood even by accountants, lawyers and the Inland Revenue Department, let alone the taxpayer himself.

One matter which I feel sure calls for early consideration is the question of the taxation of corporate bodies. Two taxes on the same trading profits, calculated on different bases with different taxable profits surely must indicate that there is one tax too much (I pass over the question of whether there are *two* taxes too much). Thus a combination of income tax and profits tax into a single corporation tax, should, I feel be given further thought. Of course, there are difficulties but it is always possible for these to be overcome if the desire is there. What rate of tax a company should pass on to the shareholders when dividends are paid is, therefore, the main source of difficulty. The rate of corporation tax might be more, or less than the standard rate of income tax. I would have thought that the company could deduct income tax from dividends either at the rate of corporation tax or at the standard rate of income tax whichever was the lower. But we do need to reconsider our approach to this whole question. We are the only country which regards the dividends received by a shareholder as 'franked' because they have already borne income tax by way of a charge on the profits of the company out of which they are paid. Other countries consider that the shareholder should himself bear income tax on the dividends he receives because they are income in his hands.

From my visits overseas in recent years, I have found how interested are practitioners and Revenue officials in other countries to our attitude towards this

Mr E. Bramley (*a Senior Principal Inspector of Taxes*) addressing the first session of the conference, with (*left*) Mr W. L. Milligan (*Immediate Past President of the Scottish Institute*) in the chair.

matter, but they find our system much more complicated than their own.

For my part, I feel that this is a subject which should be considered jointly with, and not in isolation from, the possibility of our having a single corporation tax.

Some Aspects of United Kingdom Taxation in Relation to International Trade

At the first business session, Mr E. Bramley, a Senior Principal Inspector of Taxes, addressed the conference on 'Some aspects of United Kingdom taxation in relation to international trade.'

Mr Bramley said perhaps only a minority of his listeners were closely concerned with the tax aspects of international trade but he was satisfied that all of them had a general interest in these matters. It was to this general interest he wished to appeal; to be as informative as possible without being more narrowly technical than he could help. He would deal first with companies resident in the United Kingdom but trading abroad; second, non-resident companies trading in the United Kingdom; and third, non-resident subsidiaries of United Kingdom parent companies which might be affected by section 468 or section 469 of the Income Tax Act, 1952.

He sketched the history of taxation in the last fifty years or so, showing how these three matters had assumed their present-day importance; and referred briefly to the short era of 'Dominion Income Tax Relief' which had preceded the more general pattern of agreements with all overseas countries, dominions or otherwise. Mr Bramley paid tribute to the work of the League of Nations Committees on which current agreements had been founded.

After a brief diversion on the topic of residence in relation to companies, the speaker made some general remarks applicable to all double tax agreements. The first topic was the concept of a 'permanent establishment' as the prerequisite of imposing tax on a non-resident company in respect of its trading operations.

One aspect of this is the position of an agent who acts on behalf of the non-resident. A broker or general commission agent acting in the ordinary course of his business on behalf of the non-resident was not a 'permanent establishment'. An agent having and habitually exercising a 'general' authority to negotiate and conclude contracts, or having a stock of merchandise from which he regularly filled orders, *was* a permanent establishment. Mr Bramley thought that an authority to conclude contracts at prices and on conditions already fixed by the principal did not have 'general' authority. He also examined the meaning of 'regularly' and 'permanent'.

Given a permanent establishment, then the question arose of computing the profits made through it. Section 469 of the Income Tax Act, 1952, made it clear that the Revenue could look behind actual prices charged, in order to arrive at a reasonable estimate of the real profit; taking into account the fact that overseas principal and his agent were not at arm's length.

Increased migration of United Kingdom companies during 1950 induced the then Government to introduce what is now section 468 of the Income Tax Act, 1952, which put a curb on avoidance of British tax by this and kindred means. Mr Bramley explained the background of this law and advised his listeners always to have section 468 in mind when changes in the structure of a foreign subsidiary were under contemplation. He gave some advice on the practice of obtaining Treasury consents under the section, and instanced a case where consent was given within three hours of its being applied for. He also said that section 468 was not without its uses to the taxpayer. An English company could be the parent of a recalcitrant group of foreign subsidiaries which did not recognize authority outside its own territory, and which therefore tended to carry through share transfers without consulting the parent. Section 468 enabled the parent to point out the possible penal consequences of not referring back to the parent, to enable it to obtain the necessary consents.

The speaker proceeded to an incursion into the complicated provisions dealing with overseas trade corporations. He explained what the legislation in the 1957 Finance Act was aiming at, and went on to describe the nature of an overseas trade corporation. It is often asked why foreign subsidiaries are excluded from the definition of an O.T.C. Mr Bramley explained that such foreign subsidiaries, being foreign, do not suffer that burden of United Kingdom taxation which the O.T.C. conception was designed to alleviate. After explaining briefly how the scheme is intended to work, the speaker then wound up with a glimpse into the future. He said a fiscal committee of O.E.C.D. is carrying on the work of the old League of Nations Committees. In 1963 it provided a draft model convention which contains some improvements on the old 1946 version. Mr Bramley thought the next stage would be multilateral, not merely bilateral, agreements between countries with the same degree of economic development.

Economic Aspects of Taxation

In his paper on 'Economic aspects of taxation', Professor A. R. Prest, Professor of Economics and Public Finance at Manchester University, said he would steer a course between a discussion of the higher principles of economics, and the down-to-earth problems of tax law and tax practice. The objectives of a tax system could be summed up as efficiency and justice, but this phrase contained a large number of fairly complex notions. For a given stock of productive resources, efficiency could be said to be such an arrangement of taxes as to induce the production of what consumers want most. Consumer want was, however, subject to social considerations, hence the heavy taxes on tobacco and alcohol. Another aspect of efficiency was the avoidance of the waste caused by widespread unemployment. Lower taxes in slumps, and higher ones in booms were indicated, but we needed to know more about just how much lower or higher.

Turning to the notion of justice, the speaker said it might be said to be concerned with the fair distribution of income. But this was merely passing the buck, because what did one mean by 'fair'. Was it a question of rich and poor, young and old, north and south, or what? And why should one emphasize the distribution of income, rather than the distribution of wealth or the distribution of consumption? The economist could go only a certain way in such matters, then he had to give way to the philosopher, the moralist and the politician.

Dealing with the well-worn complaint that taxes on income are too high in this country, Professor Prest said it was difficult to make true comparisons with other countries. But even if it was agreed that taxes should be lowered, there seemed to be no agreement as to what particular expenditure should also be cut in order to make the figures balance. He dealt shortly also with the argument that the ratio of direct to indirect taxation was wrong. There was little evidence that the ratio here was much different from that in comparable countries, and even if the ratio was changed it did not follow that all our troubles would be cured. Probably it was the particular structure and characteristics of our direct taxation system which impeded national objectives, and not so much the weight of the taxation. Nor was it clear that a general capital gains tax would be a panacea.

Professor A. R. Prest (*Professor of Economics and Public Finance, Manchester University*) speaking on Saturday, with (*right*) Mr Norman Cassleton Elliott, M.A., F.C.A. (*Immediate Past Chairman, London and District Society of Chartered Accountants*) in the chair.

The speaker said that in the welter of demand for changes in company taxation, we should remember that the basic argument for such taxation was that otherwise the undistributed income of companies would go free of any kind of income tax. This argument was strong enough not to need any supplementation. As to capital, two main propositions had been advanced; an inheritance tax, combined with a gift tax, in place of estate duty; or an annual levy on wealth, as in Scandinavia. Then there had been a call for a wider base for purchase tax, or a value-added tax.

Professor Prest said it seemed to him that there was a good deal to be said for capital gains taxation but not at the full rate of personal income tax, and not without some allowance for the fact of rising prices. For companies, he was against the re-introduction of discrimination against distributed profits. He could not put forward any satisfactory way of levying high taxes on estates. As far as indirect taxation was concerned, he agreed with the conclusions of the Richardson Committee although he thought that they did not go far enough in the field of broadening the base of the existing purchase tax.

Mr T. A. Hamilton Baynes, M.A., F.C.A., J.P. (*Member of the Council of The Institute of Chartered Accountants in England and Wales*) addressing the Conference on Saturday afternoon.

Valuation of Shares in Private Companies

At the second business session on Saturday afternoon Mr T. A. Hamilton Baynes, M.A., F.C.A., J.P., spoke on the 'Valuation of shares in private companies'.

Mr Baynes said that perhaps the most usual occasion when a valuation of shares in a private company was required was on the death of a member, for probate purposes. Present problems stemmed from the Finance Act, 1894, which was passed by a very slender Parliamentary majority.

The value to be given to the shares was the price they could be expected to fetch if sold in the open market at the date of death; and Mr Baynes advised his audience to endeavour to persuade their clients not to hold a controlling interest.

The speaker pointed out that shares in private companies had no intrinsic value and that they could have a different value on different occasions. The Estate Duty Office have argued that the holding increased with the value of the shares; but this argument was not acceptable to Mr Baynes, for this proposition was dependent on the state of the share register. Further, while an open market has to be visualized, restrictions on transfer in the company's articles must be considered. While the House of Lords had decided by a majority of three judges to two that a fixed transfer price in the articles cannot determine the value for probate, such a restriction must affect the open market value. The valuation had to be made on the basis that the shares could be offered to anyone in the open market, and one had to contemplate a real person as the purchaser.

Mr Baynes also pointed out that a purchaser buys shares in a private company for what he can get out of it – not the assets or the earnings but the dividends. It was virtually impossible to buy shares in a private company in the hope of a quick capital gain. In consequence one had to take into account the practice of the directors in payment of dividends. In this respect the profit and loss account was the primary document, though the balance sheet was important. Such matters as the status of the debtors, the state of the stock-in-trade, or the existence of loans from directors all had to be considered – particularly if the loans were repayable on demand, for a demand for repayment would certainly be made on the death of the director concerned and this could occur at a most unexpected time.

Mr Baynes ended his address by giving as a general guide an expected yield of about $12\frac{1}{2}$ per cent on the shares of a private company of reasonable size, with a reasonable number of shareholders, good prospects and continuity of good management.

Allowances for Capital Expenditure on Fixed and Wasting Assets

The business sessions on Monday opened with an address by Mr Thomas D. Lynch, C.A., entitled 'Allowances for capital expenditure on fixed and wasting assets'.

Mr Lynch began by tracing the history and development of tax allowances for capital expenditure and stressed the inadequacy of such allowances over the greater part of existence of the present British income tax system. It was only as recently as 1945 that a comprehensive system of capital allowances was introduced and subsequent changes culminating in the allowance for depletion of minerals *in situ* in 1963 demonstrated that even the 1945 Act was not nearly comprehensive enough. Notwithstanding these recent and welcome changes it was still widely considered that the scheme of capital allowances remained inadequate and the speaker made a special plea for allowances on the following classes of expenditure on which no allowances at all are given; (*a*) commercial buildings, falling outside the definition of 'industrial buildings', which were subject to depreciation and obsolescence; (*b*) pre-trading expenses and (*c*) company formation expenses.

Some of the inequities inherent in the present scheme of capital allowances were discussed and the speaker examined in turn the main categories of fixed assets. Allowances for plant and machinery were thought to be reasonably fair, even generous, but the generosity might be misplaced and a good deal of tidying up of

small points, e.g. computation of benefits in kind may be required. The allowance for industrial buildings was sound but the definition of an industrial building or structure was not clear and was not wide enough. Special reference was made to the varying treatment of offices and warehouses. Mines, oil-wells, quarries and minerals seemed now to be on a sound basis. So also were patents since allowances had been given for embryo patent and other rights. The treatment of capital payments for 'know-how' might have to be looked at. Agricultural expenditure and scientific research expenditure were well catered for although in practice the line between capital and revenue expenditure was difficult to determine. This was a special source of worry when dealing with expenditure on scientific research in view of the generous investment allowance.

Mr Lynch concluded by reiterating his plea for capital allowances on a wider range of capital expenditure and for an overhaul of the law relating to capital allowances in the light of Court decisions and practical experience gained in the operation of a reasonably comprehensive scheme of depreciation allowances since 1945.

Cessations and Partial Cessations

On Monday afternoon, Mr J. Christie, A.C.A., a partner in Armitage & Norton, gave the final paper entitled, 'Recent legislation – the Finance Act 1964'.

After reviewing the Finance Act, 1964, Mr Christie said that probably the most important part of it was section 15. The sections devoted to tax avoidance consisting of 'lease back' were akin to a sledge hammer cracking a nut. Section 15, the rubric of which is 'Transfer of part of a company's trade without change of ownership', arose out of section 17 of the Finance Act, 1954. To obtain a clear understanding of section 15, it was necessary to appreciate the provisions of section 17. Section 17 was primarily an anti-avoidance section. During the boom years of 1946 to 1951 many businesses, particularly in the cotton, textile and metal trades, made high profits. But the slump of 1952-53 was foreseen and steps were taken to reconstruct companies at the end of a period of high profits, so as to engineer the application of the 'commencement' and 'cessation' provisions. As a result, the profits of periods ranging from about one year to about two years were not assessed to tax at all; while the profits of corresponding periods came into assessment more than once. Profits escaping assessment were high, those assessed twice over were small or negligible. Section 17 was designed to put an end to this abuse.

One of the conditions for the application of section 17 is broadly speaking that the business should be in the same ultimate ownership before and after the change. For this purpose one must look behind the legal façade of the company, and examine the beneficial ownership of its ordinary share capital. The provisions dealing with this are very complicated but Mr Christie explained them lucidly, and gave practical advice as to how the parties can in effect put themselves into a position where they can elect whether or not section 17 should apply, depending whether its application would be advantageous or not.

After a comprehensive and exhaustive study of section 17, Mr Christie turned to section 15 of the Finance Act, 1964. He said it provided that part of a trade transferred to a person with the relevant common interest who carries on that part as a separate trade shall not be assessed as a new trade but treated as though it were the continuation of a separate trade consisting of that part. It also provided for the case where parts of more than one trade are transferred to a person who carries on the various parts as his separate trade. Here again, the various parts are to be treated as separate trades which are continued.

The speaker brought out the ambiguity lying in the

The members of the 'Brains Trust' on Saturday morning: (*left to right*) Mr K. R. Tingley, A.A.C.C.A., Mr H. W. Evans (*Inspector of Taxes*); Mr W. G. Nursaw, F.C.I.S., A.C.I.I. (*Question master*); Mr K. S. Carmichael, F.C.A., and Mr J. M. Cooper, A.A.C.C.A., A.C.I.S. (*Assistant Editor of 'Taxation'*).

word 'part of a trade' and gave his own views as to the precise scope of the section. He suspected that section 15 was intended to apply only to a part which was of such a nature or size that its severance from the main trade did not affect the tax status of the latter as a continuing entity. But this view could prevail only if it were conceded that anything which affected the coherence of the main structure was not a 'part' of it. Such an interpretation seemed to be wrong.

If his own views were correct it followed that section 15 would apply whether or not the remainder of the trade continued in being after the hiving off. On the other hand, it seemed that section 17 (3) and section 15 were intended to be mutually exclusive. However, this was not of much practical importance. On a further aspect, the speaker said that where a manufacturing company hived off its selling in a particular area to a new subsidiary, the main trade would clearly continue. On the other hand, the activities of the subsidiary would include something which had not existed before, namely wholesale buying, as distinct from manufacture. Could this mean that the subsidiary had commenced an entirely new trade? Mr Christie said such a conclusion would make nonsense of section 15. One must postulate the subsidiary's whole trade as existing immediately before the hiving off.

LEEDS CHARTERED ACCOUNTANTS' ANNUAL DINNER

About three hundred members and guests attended the annual dinner of the Leeds, Bradford and District Society of Chartered Accountants at the Queen's Hotel, Leeds, on October 23rd.

Mr W. G. Densem, F.C.A., President of The Institute of Chartered Accountants in England and Wales, responding to the toast of 'The Institute', said that the past year had obviously been a year of change.

Mr Densem said that any ideas that the Institute was stagnant were completely ill-founded. Many of the changes that had emerged during the past year had involved an enormous amount of spadework prior to their introduction.

There had been a very encouraging increase in the number of members in the District Societies and he hoped that this would result in an increase in the active membership.

Those who took the trouble to attend District Society functions had learned to appreciate that it was beneficial, not only to the Society, but also to themselves.

Referring to the student side of the Institute's work, Mr Densem said proposals which had been worked out over a number of years were now being implemented. One was the interviewing of the principal who wished to take his first articled clerk.

Steps had also been taken relating to articles to make the profession more attractive to the young man.

Information for Management

Another innovation to have emerged during the year was the joint diploma in management accounting and it was important that the younger members should realize the importance of the provision of proper information to management. This was vital, not only to the accountancy profession but to industry and the nation as a whole.

Management was often incapable of absorbing information and the Institute was trying to get its members to put forward valuable information to management in a form which management could understand, and act upon.

Mr Densem said that the electronic data processing courses had been extremely successful, giving members an outline of what E.D.P. involved and what it could do. Each course lasted five days and all those who had attended were very complimentary and he commended the course to members.

The President then went on to refer to figures from the practitioner inquiry and said that some of the figures were very disturbing and it did seem to indicate that many practitioners were receiving a net remuneration which he could only describe as disgusting.

Why that should be so, the Council was not entirely certain. However, the Council was organizing a series of booklets, each of about fifty pages, to assist the practitioner in the organization of his practice.

It was hoped, said the President, that the booklets would assist practitioners to assist themselves in the better organization and administration of their practices.

On the question of education, Mr Densem said Leeds was in the forefront. Leeds had a very enlightened local authority, which many parts of the country were not blessed with. The Council, he said, had been happy to co-opt on to the Education Committee, Mr E. V. Roberts, B.COM., F.C.A., Principal of the Leeds College of Commerce, and Mr Rupert Walton, T.D., F.C.A.

The President said that if, throughout the country, the Institute could manage to get the educational assistance for students that was available in Leeds they would be very happy.

The Education Committee was working extremely hard but in many parts of the country it was up against difficulties which it was hoped could be overcome.

In proposing the toast, the Rt Hon. Lord Barnby, C.M.G., C.B.E., M.V.O., said the accountancy profession in the United Kingdom was the envy and admiration of the world. He said that he had always been highly impressed by the attainment of high office of members of the accountancy profession.

Mr W. A. Rawlinson, F.C.A., President of the Leeds, Bradford and District Society, proposing the toast of 'Our Guests', said that in many ways the dinner was one of the happiest moments of a District Society President's year of office. It gave him the opportunity to welcome so many guests from kindred professions.

Mr R. C. Balfour, M.B.E., F.I.B., President of the Leeds Centre of the Institute of Bankers, responded to the toast.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS CHANTREY, BUTTON & Co, Chartered Accountants, announce that with effect from September 29th, 1964, they have opened an office at Faircross House, High Street, Watford, Herts.

MESSRS CHENNELL & Co, Certified Accountants, of 3 St Peter's Place, Brighton 1, and at Burgess Hill, announce that, for administrative reasons, it has been decided to operate their Brighton and Burgess Hill offices under different names. The Burgess Hill office will in future operate under the name of CHENNELL & SHARP, of which firm the partners will be Mr V. R. CHENNELL, F.A.C.C.A., and Mr H. F. H. SHARP, F.A.C.C.A., and the Brighton office will be known as CHENNELL, GILBODY & Co, of which the partners will be Messrs V. R. CHENNELL, G. H. GILBODY, A.A.C.C.A., and J. N. H. JOURNEAUX, A.A.C.C.A.

MESSRS WALTER H. OURY & Co, Chartered Accountants, of 62 High Street, Slough, and 38 High Street, Maidenhead, announce that Mr RICHARD ANTHONY OURY, A.C.A., has been admitted to the partnership carried on by his father, Mr WALTER H. OURY, F.C.A., and elder brother, Mr BRIAN R. OURY, A.C.A. The name of the firm remains unchanged.

MESSRS J. WILD & Co, Chartered Accountants, of 72–76 Blackburn Street, Radcliffe, Manchester, announce that as from October 1st, 1964, they have admitted into partnership Mr JAMES ANTHONY WILD, A.C.A., Mr JOHN HILTON, A.C.A., and Mr RONALD POLLARD, A.C.A. The firm's name remains unchanged.

Appointments

Mr R. E. Allen, A.A.C.C.A., has been appointed secretary and controller of Kirkstall Forge Engineering Ltd.

Mr J. L. Brooke, B.COM., F.C.A., A.C.W.A., M.B.I.M., has been appointed chief accountant of Associated Electrical Industries Ltd, Woolwich Group.

Mr S. R. Duddridge, F.C.A., secretary of Qualter Hall & Co Ltd, has been appointed a local director of Qualter Hall & Co (Sales) Ltd.

Mr J. H. Eaton, C.A., financial investigation officer, has been appointed accountant with responsibility for the accounts, costs, budgets and financial investigation offices of London Transport. He will act as deputy to the chief financial officer.

Mr K. H. Liddle, A.A.C.C.A., A.C.I.S., has been appointed budgets and financial investigation officer of London Transport.

Mr J. Stuart Ogilvy, C.A., has been appointed chief accountant of Sandusky Ltd.

Mr Anthony George Touche, F.C.A., has been appointed a director of C.L.R.P. Investment Trust Ltd.

COMPANY INVESTIGATION

Tanah Estates Ltd

Mr Thomas William Chalk, A.C.A., of Hillgate House, 35 Old Bailey, London EC4, has been appointed by the Board of Trade under section 165 (*b*) of the Companies Act, 1948, to act as Inspector to investigate the affairs of Tanah Estates Ltd.

FREEHOLD LAND FINANCE CO LTD

The report of the Inspectors – Mr D. D. Rae Smith, M.C., B.A., F.C.A., and Mr M. Mortimer Wheeler, Q.C. – appointed by the Board of Trade in June 1961, pursuant to section 165 (*b*) of the Companies Act, 1948, to investigate the affairs of Freehold Land Finance Co Ltd has now been published and copies may be obtained from H.M. Stationery Office, price 2*s* 6*d* (by post, 2*s* 10*d*).

SCOTTISH INSTITUTE'S NEW DIRECTORY

Membership of The Institute of Chartered Accountants of Scotland at July 22nd, 1964, numbered 7,432, according to the Institute's *Official Directory, 1964–65* now published. This is an increase of 184 on the previous year's figure. An analysis of the total membership shows that there were 3,881 members in Scotland, of whom 1,094 were 'in practice on their own account or as partners in firms'. Of the remaining membership, those in the United Kingdom other than Scotland numbered 2,347 (256 in practice as principals or partners), and there were 1,204 members abroad (188 in practice as principals or partners).

The *Directory* extends to 636 pages and contains the usual alphabetical and topographical lists of members, together with details of membership of the Council of the Institute, and the Standing and Local Committees for 1964–65.

BROMLEY AND SOUTH-EAST LONDON DISCUSSION GROUP

The next meeting of the Bromley and South-East London Discussion Group will be held next Wednesday, at the New Hackwood Hotel, Widmore Road,

Bromley (opposite K. J. Motors Ltd), when the main topic for discussion will be 'The remuneration of the accountant'. This will be followed by a short talk by Mr M. J. Blackwood on the Institute's electronic data-processing course held in Brighton earlier this year.

SW. LONDON DISCUSSION GROUP

The next meeting of the SW. London Chartered Accountants' Discussion Group will be held at 6.45 for 7 p.m. next Monday, November 2nd, at the Kingston Hotel, Wood Street, Kingston upon Thames, when the subject will be 'Company results and the stockbroker' and the speaker, Mr B. L. Southgate, C.A.

EAST ANGLIAN SOCIETY OF CHARTERED ACCOUNTANTS

Ipswich and Colchester Branch

The annual dinner of the Ipswich and Colchester Branch of the East Anglian Society of Chartered Accountants is to take place at the Red Lion Hotel, Cornhill, Colchester, on November 2nd. The first of three meetings dealing with 'Income tax – Case VIII', at which the speaker will be Mr K. S. Carmichael, F.C.A., will be held at the Officers' Club, Colchester, on December 7th; the two other meetings on the subject will take place at the Golden Lion Hotel, Cornhill, Ipswich, on January 25th next and at the Officers' Club, Colchester, on February 22nd. The Branch will conclude its 1964–65 programme with a further meeting at Ipswich (also at the Golden Lion Hotel) on March 29th when Mr W. W. Ward, F.C.A., will address members on 'Trust accounts'.

Cambridge Branch

The next meeting of the Cambridge Branch will be held on November 17th at Wisbech, when a talk will be given on 'Settlements for saving estate duty and surtax'. The annual dinner of the Branch will take place at Cambridge on December 3rd. In the New Year, a 'Mock income tax appeal' has been arranged for January 19th at King's Lynn, and at a meeting at Bury St Edmunds, on February 16th, Mr E. K. Wright, M.A., F.C.A., a member of the Council of the Institute, will give a talk on 'The work and future of the provincial accountant'.

The honorary secretary of the Society is Mr H. Robinson, F.C.A., Robinson & Co, Elm House, 4 Elm Hill, Norwich.

SOUTH EASTERN SOCIETY OF CHARTERED ACCOUNTANTS

Hants and Dorset Branch

The first autumn meeting of the Hants and Dorset Branch of the South Eastern Society of Chartered Accountants was held on October 9th, and took the form of a luncheon meeting and a talk on 'Schedule D, Case VIII', by Mr K. S. Carmichael, F.C.A. There was an attendance of some forty-eight members.

Due to the wide area covered by the South Eastern Society, it is customary to hold two dinners each year. The first of these will take place in Brighton on November 6th and the second, for the benefit of Branch members, will be held in Bournemouth on February 5th, 1965. In addition, there will be a Branch dinner and dance at Lyndhurst on December 11th.

The honorary secretary of the Hants and Dorset Branch is Mr M. G. Lickiss, B.SC.(ECON.), A.C.A., 31 Richmond Hill, Bournemouth.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 1 p.m. on Monday next, November 2nd, in the vestry of St Mary Woolnoth Church, King William Street, London EC3. The scripture for reading and thought will be Luke, chapter 17, verses 7–10.

OFFICIAL RECEIVER APPOINTMENTS

The Board of Trade have announced the following Official Receiver appointments:

The appointment of Mr George William Sisman as Official Receiver for the Bankruptcy District of the County Courts of Exeter, Barnstaple and Taunton has been revoked.

Mr Arthur John Seldon has been appointed Official Receiver for the Bankruptcy District of the County Courts of Exeter, Barnstaple and Taunton and that the appointment of Mr Arthur John Seldon as Assistant Official Receiver for the Bankruptcy District of the County Courts of Bristol, Bath, Bridgwater, Cheltenham, Frome, Gloucester, Swindon and Wells and the Bankruptcy District of the County Courts of Exeter, Barnstaple and Taunton has been revoked.

The appointment of Mr Kenneth Matthewson as an Assistant Official Receiver for the Bankruptcy District of the County Courts of Exeter, Barnstaple and Taunton has been revoked.

The appointment of Ernest Arthur Ashcroft as an Assistant Official Receiver for the Bankruptcy District of the County Courts of Exeter, Barnstaple and Taunton has been revoked.

These appointments and revocations took effect on August 17th, 1964, and are consequent upon the division of the Bristol/Exeter office into two separate offices.

Mr Victor Duffy has been appointed an Assistant Official Receiver for the Bankruptcy District of the County Courts of Birmingham, Coventry and Warwick, with effect from August 27th, 1964.

Mr Alan Keith Sales has been appointed an Assistant Official Receiver for the Bankruptcy District of the County Courts of Dudley, Hereford, Kidderminster,

Leominster, Stourbridge, Walsall, West Bromwich, Wolverhampton and Worcester, with effect from August 31st, 1964.

Mr James David Bowden has been appointed an Assistant Official Receiver for the Bankruptcy District of the County Courts of Swansea, Aberdare, Aberystwyth, Bridgend, Carmarthen, Haverfordwest, Merthyr Tydfil and Neath and Port Talbot, with effect from August 31st, 1964.

Mr John Frederick Hirst has been appointed an Assistant Official Receiver for the Bankruptcy District of the County Courts of Liverpool, Bangor, Birkenhead, Chester, Portmadoc and Blaenau Festiniog, Warrington, Wigan and Wrexham and that the appointment of Mr John Frederick Hirst as an Assistant Official Receiver for the Bankruptcy District of the County Courts of Birmingham, Coventry, Dudley, Hereford, Kidderminster, Leominster, Stourbridge, Walsall, Warwick, West Bromwich, Wolverhampton, and Worcester has been revoked.

This appointment and revocation took effect on September 3rd, 1964.

The post of Mr Robert Frank Howe attached to the office of the Inspector-General in Bankruptcy (London) and formerly designated Chief Clerk has been re-designated Principal Clerk in Bankruptcy, and Mr Derek Arthur Thorne has been appointed to a new post of Chief Clerk in Bankruptcy attached to the office of the Inspector-General in Bankruptcy (London). The appointment of Mr Derek Arthur Thorne as Assistant Official Receiver for the Bankruptcy District of the County Courts of Liverpool, Bangor, Birkenhead, Chester, Portmadoc and Blaenau Festiniog, Warrington, Wigan and Wrexham has been revoked.

This appointment and revocation took effect on September 7th, 1964.

GOLF

A joint meeting was held on September 25th at Dunstable Downs Golf Club between the Chartered Accountants' Golfing Society, composed mainly of London members, and the Birmingham and District Society of Chartered Accountants.

In the afternoon a match was played between the two Societies which ended in a win for Birmingham by 6½ matches to 4½.

The Leeds, Bradford and District Society of Chartered Accountants

The annual golf meeting of The Leeds, Bradford and District Society of Chartered Accountants was held at Ganton Golf Club on October 9th in perfect weather and was attended by forty-two members of the Society.

Both the Blackburn Cup, played for under handicap on the Stableford system, and the Holliday Cup for the best gross score, were won by Mr G. H. Smith, of Huddersfield, who returned a very good card of 70 gross. The leading scores were as follows:

Blackburn Cup	*Points*
G. H. Smith (1)	41
W. G. Harker (9)	40
W. F. Outhwaite (15)	35
W. M. C. Smith (7)	33

Holliday Cup	*Gross*
G. H. Smith	70
W. G. Harker	77
W. J. A Smith	80
F. H. W. Myers	80

Dublin Society of Chartered Accountants

At the annual golf meeting of the Dublin Society of Chartered Accountants, held at the Grange Golf Club, there was an entry of 112 players. The results of the competitions were as follows:

Old Students' Cup: M. O'Kelly (7), 4 up (Won on second nine); R. T. Whelan (14), 4 up; R. Carroll (6), 2 up; M. Sheehan (4), 2 up; S. H. Seymour (11), 2 up.

Visitors' Prize: I. G. Vaughan (10), 7 up.

Four-ball: R. Carroll (6) and A. Spain (11), 9 up (Won on second nine). W. D. Ryan (9) and T. F. McCarron (6), 9 up; J. C. Oakes (10) and I. G. Vaughan (10), 9 up.

Mr R. Ian Morrison, F.C.A., Chairman of the Society, presided over the subsequent dinner at which the principal guest was the Captain of the Grange Golf Club, Mr Owen Carty.

THE INSTITUTE OF OFFICE MANAGEMENT

Glasgow and West of Scotland Branch

The Glasgow and West of Scotland Branch of the Institute of Office Management is to hold its Autumn Conference and Exhibition in Hamilton Town Hall on November 4th.

The subject will be 'Production – planning and control' and the principal speaker will be Mr I. D. Nelson, Head of Management Services, Rolls-Royce Ltd. There will be displays by some of the leading manufacturers of office equipment.

Further details and admission tickets may be obtained from the Conference Secretary, Mr S. G. Harper, W. T. Avery Ltd, 304 St Vincent Street, Glasgow C2.

ECONOMIC CONDITIONS OVERSEAS

Two booklets in the 1964 series dealing with economic conditions in member and associated countries of the Organization for Economic Co-operation and Development has recently been issued covering Portugal and Turkey. Copies of the booklets are obtainable from H.M. Stationery Office, price 5*s* each.

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE ACCOUNTANT

ESTABLISHED 1874

NOVEMBER 7TH, 1964 VOL. CLI. NO. 4690

CONTENTS

Capital Profit Dividends

A DIVIDEND paid by a British company out of capital profits is not charged to income tax or surtax in the hands of the recipient. This statement would be accepted by most people regarded as experts on Revenue law, and up to the moment it has been true. The tax expert might be pardoned for saying that this is not only the practice, it is the law. But where in fact is the authority for that statement? And if there is in fact no authority (or very little) for it, for how long can we expect this immunity to continue? We would say not very long, even independently of any Budget forecasts.

One can perhaps begin with *Gimson v. C.I.R.* (9 A.T.C. 170) which was decided by ROWLATT, J., in 1930. A company had a fund which was made up of (*a*) realized capital profits; (*b*) war loan interest and Treasury bill discount; and (*c*) foreign dividends. None of these items had, in fact, borne income tax in the company's hands: (*a*) for obvious reasons; (*b*) because there was no 'source' in the year for which the income would otherwise have been assessed (*Brown v. National Provident Institution* ([1921] 2 A.C. 222)); and (*c*) because there was no income from the source in the year for which the dividends would otherwise have fallen to be assessed (*Whelan v. Henning* (5 A.T.C. 95)). Mr GIMSON received a £75 dividend on his ordinary shares in the company and it was agreed between him and the Inland Revenue (on the basis of arithmetical apportionment) that £40 of it came out of the capital profits, and £35 out of the untaxed income.

The Inland Revenue conceded that in so far as the dividend could be attributed in this arithmetical way to capital profit, it could not be charged to supertax in Mr GIMSON's hands. There was therefore no argument on this interesting point, and perhaps the Inland Revenue conceded more than they needed to. As regards the £35, they sought to gross it up to £44 (adding back tax which no one alleged had ever been deducted) and to make a supertax assessment on that grossed-up sum. The Special Commissioners upheld this taxing of a notional gross sum, but in the High Court the ATTORNEY-GENERAL did not even argue that it could be done. What he did argue was that the £35 was chargeable to supertax.

ROWLATT, J., took the view that one must look through the company to see whether the distributable fund has been taxed in the company's hands. If it had not, then a dividend out of that fund could not be taxable on the recipient. As regards the ATTORNEY-GENERAL's argument that in that case the dividend itself became a taxable subject, under Case VI, the learned judge

said 'that is a theory which I think must be established by some superior Court to this Court. It is absolutely contrary to the idea one has ever held and it is in my experience entirely novel'. At that stage, therefore, it is clear that the Crown would have also lost on the capital profits dividend point. Fortunately, or unfortunately, it did not accept the Court's invitation to go to the Court of Appeal. Judging from that Court's comments in *Neumann v. C.I.R.* (12 A.T.C. 84) it would have allowed the appeal. Instead, legislation was introduced in the following year to overrule the decision; although nothing was done about capital profits dividends.

Before *Gimson* was decided, the House of Lords had held that the Schedule A assessment on an office block owned by a company exhausted the taxability of the rents from the block. In the meantime, the company had put a large part of its rents to income tax reserve. Having won the case, it declared dividends out of this reserve of untaxed rents in April 1940. One of the shareholders contested the inclusion of such dividend in his surtax income, arguing that *Gimson* precluded it. However, the House distinguished *Gimson* and held that the dividend was chargeable to surtax (*Neumann v. C.I.R.* (13 A.T.C. 1)).

There are *obiter dicta* in *Neumann* to the effect that dividends are not, as such, chargeable to standard rate income tax, and that dividends paid out of capital profits are not 'income'. However, when an overseas company declared a dividend out of capital profits, the House of Lords held that a British recipient of such dividend was chargeable to tax on it under Case V of Schedule D (*C.I.R. v. Reid's Trustees* (28 A.T.C. 65)). The taxpayer argued, and the Crown did not dispute, that if the company had been a British company the dividend would not have been charged to income tax. Although the House of Lords accepted it, that acceptance is no real authority. Indeed the attitude of the House to this point was that it confused a simple question: Was the dividend income or not? Since the shares remained intact, the dividend was income.

Significantly, the House impliedly rejected the *ratio decidendi* in *Gimson*, namely, that the test was to look through the company to see whether the source of the dividend was capital or income.

The specific question as to whether a capital profits dividend from a British company is immune either from income tax or from surtax has never been before the Courts. Perhaps the fact that the immunity of such dividends has hitherto rested on concessions made by the Crown, combined with *obiter dicta*, is responsible for the vagueness which surrounds that immunity. And that vagueness has given rise to a good deal of confusion. Thus in a recent case which went to the House of Lords, the taxpayer was able to persuade at first an Inspector of Taxes, and then Mr Justice CROSS, that such a dividend enjoyed a kind of special exemption, which went so far as to entitle a share dealer to exclude the dividend from his trading receipts, notwithstanding that the proceeds of sale of the shares themselves would have to be brought in. Not surprisingly, this argument did not find favour with the House of Lords (*Cenlon Finance Co Ltd v. Ellwood* (41 A.T.C. 11)).

In *C.I.R. v. McNaught's Executors* ([1964] T.R. 163) it seems that the Crown again conceded that dividends from a British company out of capital profits were not taxable. The question at issue was merely whether or not the dividends had in fact been so paid.

We now have an *obiter dictum* from no less an authority than Lord RADCLIFFE which points to the taxability of capital profits dividends even when they come from British companies. In *C.I.R. v. F.S. Securities Ltd* ([1964] 2 All E.R. 691) at page 698 he said:

> 'Dividends are sometimes spoken of as being exempt from assessment to income tax or as if they were somehow entitled to special protection under the tax system. There are, too, rather mysterious statements to the effect that they are not taxable "as such". This is quite misleading and tends to create the idea that there is a special mystique about the taxation of dividends, an idea that in at least one respect has led to unfortunate consequences. In my opinion, there is by now really no room for doubt that dividends for income tax as well as surtax, are just as much a taxable subject as any other form of income, or for doubting that, for the purposes of income tax, as distinct from surtax, when they are distributed by a limited company out of a fund of profit that has been taxed in its hands, the proportionate shares of the taxed fund so distributed are not liable to taxation again in the hands of the recipients.'

Admittedly Lord RADCLIFFE was not dealing in that case with a capital profits dividend. But the implication of his general words seems to be unmistakable. Shareholders beware!

Rates or Grants?

THE old adage, he who pays the piper calls the tune, is familiar to any student of local government and it has a more than passing relevance at the present time. Local authority expenditure is rising and, according to a recent letter from the various local authority organizations[1] to THE PERMANENT SECRETARY OF THE MINISTRY OF HOUSING AND LOCAL GOVERNMENT, the rate call is 'already approaching the limit of toleration . . . hence it will not be reasonable for the rates to continue to bear the same share of the increased expenditure'. These bodies urge that the rising expenditure should be met by increased exchequer grants, a view expressed publicly by one of them, the County Councils' Association.

The inadequacy of the local rate formed the theme of part of a recent speech by the President of The Association of Certified and Corporate Accountants, Mr R. STATHAM, C.B.E., J.P., F.A.C.C.A. In his opinion the rating system 'is one of the remaining vestiges of feudalism left in the country today'. He criticized the rate on the score that an owner who takes pride in improving his property is penalized whenever he makes improvements. Mr STATHAM further asked how much equity there can be in a system which tolerates a widow paying the same rates as several adults in an adjoining house of the same size. These are pertinent criticisms, and on the latter issue no doubt the Allen Committee will have something to say.

Mr STATHAM supported the widely held view that the rate should be replaced by a *per capita* tax on every person within a local authority area, which he described as a true local income tax. It is not without interest that the above-mentioned letter from the local authority organizations makes the point that 'consideration of other possible sources of local government revenue has so far failed to reveal any practical alternatives'. This is a tacit recognition that there is no likelihood that the Government is prepared to introduce a local income tax. It would be administratively cumbersome, it would necessitate a complete overhaul of the grant structure and its basis, while the same objectives can be achieved by means of Exchequer grants.

The main argument in favour of the retention of the local rate, even if the elasticity of its yield is in doubt, is that it provides almost one-eighth of total tax revenue. Given the already high marginal rates of income tax, it is difficult to see how the Exchequer can hope substantially to increase its contribution to local authority expenditure without some adverse effects upon incentives. It is not merely local authority expenditure which will continue to rise. The financial commitments of the new Government, like those of its predecessor, will almost certainly necessitate heavier taxes.

The letter from the local authority organizations notes that it is of the utmost importance that any increase in grants should be 'designed to preserve the independence of local authorities'. This is a fair point, but one suspects that the structure of the grants designed to this end might be easier to determine if one felt that the local authorities themselves were agreed as to the form which it should take. It is common knowledge that within local government circles there are differences of opinion as to the relative merits of general grants and proportional specific grants. More to the point, however, it is idle to pretend that, as the responsibility of the Exchequer for local authority expenditure increases, the demand for a revision of the existing local government structure will not be intensified. While it is undeniably true that the Ministers concerned in the present interdepartmental inquiry into local government may – to quote the letter – find a statement of the views of local government organizations on broad principles useful, it is questionable whether 'the relatively minor points of detail on which differences may exist' can affo d to be left over 'for further consideration and discussion in due course'. The wrangles – minor and detailed – over local government structure have been going on for half a century. The time is surely approaching when someone, probably outside the field of local government, is going to have to make a decision.

[1] County Councils' Association, Association of Municipal Corporations, Urban District Councils' Association, Rural District Councils' Association, London County Council, Metropolitan Boroughs' Standing Joint Committee.

Management Accounting Quiz on Product Costing

CONTRIBUTED

Client: *I doubt if I need product costs when my selling prices are determined in the open market.*

Adviser: It may well be that in a boom one may make a very good living (even if one does not achieve the optimum and has a lot of inefficiencies), using only crude estimates of the relative costs over a range of products; provided, that is, that obviously costly and complex products are not sold at prices lower than simpler products because of some current peculiarities of the pattern of demand and supply. One may also benefit (or suffer) from a price pattern set in part by the cost calculations of competitors or the hang-over from trade association calculations.

Even in these conditions, however, product costs are really necessary in order to choose the products one should steer away from and those one should go for to get the best results; and this becomes more necessary in highly competitive conditions.

Are Marginal Costs Good Enough?

Client: *Well, yes – but are not only marginal or variable costs for products needed? Fixed costs remain and for some expenses the allocation to divisions or products is rather arbitrary and approximate.*

Adviser: Certainly, marginal product costs (cost varying with volume fluctuations in the short run) are valuable for judging orders which will enhance profits or minimize losses in the short run; and for working out the best short-term product mix in relation to current limiting factors, such as capacity balance and saleability. But total product costs at a normal level of activity are also valuable as a first-shot indication of what the cost of that product would be in the long run if one worked oneself into a market, so that ultimately that product became the main product, and one's plant balance was modified accordingly. Marginal cost could be a misleading guide for this, and the use of marginal cost information only might produce a result where one could never achieve a profit over total cost.

Very few (if any) costs and even space costs (i.e. rates, insurance, heating, building maintenance, etc.) are of necessity fixed long term. Very broadly, the products to go for in the long run are those which will show the highest percentage profit over the total product cost in the long term, which can be produced and sold in volume.

Client: *You know as well as I do that some costs tend to stay static despite volume changes, and therefore unit product costs must alter with changes in activity. I don't see how one can claim that there is really such a thing as a product cost.*

Adviser: This, of course, is true – in part. There is only a product cost under certain observed, specified or standard conditions. Some costs are static within certain volume ranges, but tend to move when one goes outside this range. One must think of objectives. Some indication of the cost of the product is required if this should be marketed as the major product, and therefore of the price one would have to look for in these circumstances. One requires set target selling prices (which may not be those obtainable initially), and for this one must calculate on a normal level of activity; for customers cannot be expected to pay for the cost of idle capacity (which can sometimes be attributed to misjudgement of the capacity required).

Total product cost would also be used to avoid expanding production and distribution of products whose price showed no prospect of covering total product cost.

On the other hand, this does not mean that orders should never be accepted below total product cost; for losses may temporarily be minimized by so doing, provided the price does not fall below the costs which may be avoided if the orders were not taken. Profits can even be augmented by selling a minor

portion of the output below total average product costs (under the specified conditions), provided the major portion covers the costs and the income value of the minor portion more than covers the *additional* costs of its production and provided such prices do not drag down the prices obtainable for the major portion.

Data are therefore wanted of such avoidable costs which can be eliminated with reduced volume and become additional costs with added volume, i.e. the variable or marginal cost of products. However, it is as well to remember that what you may regard as a marginal product (or process) may be another's main product; and if some competitors also regard as *their* marginal product what is *your* main product and price accordingly, life can become difficult.

How Much Simplification?

Client: *But could not judging the profitability of one product in isolation in relation to total product cost, be misleading?*

Adviser: Certainly. If thinking in terms of total profit, one used this as a guide for diverting capacity to a product without assessing the volume in which it could be produced and sold – particularly in the short run, because of the existing balance of plant capacity.

Total product costs, in effect, assume that in the long run, plant balance may be modified in order to switch over to production in volume at somewhere around that total unit product cost. If prices fail to cover that cost, it is a bad product to build up in the long run, though it may make some additional contribution in combination with others.

Much the same comment applies to marginal costs; for though they show the cost level at which orders accepted at prices below this will augment rather than reduce losses, they must be regarded as providing an initial lead on profitability which will give a guide as to the starting-points for working up feasible permutations of products to arrive somewhere near the best combination of products to give maximum profitability in the light of sales and production limiting factors.

Client: *Surely, if all products pass through the same sequence of processes, there is probably no need to work out the cost process by process; especially if there is only one product?*

Adviser: Such cases are rare, because few products each have the same rate of production at each process. The answer to your question in such a case would be 'There is no need for this from the total product cost angle' – until the question is asked 'What is the effect on my product cost, or on total costs of eliminating or combining or improving certain processes and what is the most expensive process on which to concentrate efforts in unit cost reduction?'

There is also the cost control angle and the measurement of variations in processing cost of each process from some set standard. Generally, some products by-pass some processes, or entail some additional processes; and in some industries some processes are very much more costly than others – often in terms of capital cost; so unless product costs allow for this, there can be a misleading impression of profitability.

The question of inclusion of a portion of 'fixed' costs in product costs also arises in stock valuation; the total cost to the stage of completion being a substitute for a conservative valuation of ultimate realizable value on a continuing basis (shareholders would not relish a take-over bid – discovered too late as having arisen from someone spotting that stocks were under-valued to the tune of the share of 'fixed' costs not included).

Client: *Accepting that point, could not one 'short-circuit' all this overhead allocation by loading most of one's overhead costs on to a dominant process common to all products; putting, say, no fixed overhead costs, and especially those where allocation can only be approximate, on to auxiliary processes, such as warehousing?*

Adviser: Even where prices are determined in the open market by competition between dominant competitors, this could lead in the long run to inadvertently working oneself into the less profitable markets; because the total costs of the auxiliary processes in the long term, in terms such as space costs (rates, light, heat, insurance, administration, etc.) would not be fully appreciated. Accordingly, one might tend to accept more and more of the type of product which demanded

a higher proportion of these under-costed processes, because of the impression that products using a high proportion of them were less costly and more profitable than they really were. Similarly, the full long-term cost advantages of improving or eliminating such auxiliary processes would be less emphasized and less noticed.

Client: *Very well then; but couldn't they still be lumped together and allocated on one simple basis of a percentage on direct labour – most costs, apart from selling, seem to bear a relationship to the labour force?*

Adviser: Under certain conditions, this might serve without much distortion, i.e. where all male, or where the ratio of male to female workers at each process was about the same, and where one significant process does not have a high labour element but little capital costs (or cheap machinery and space requirements), whilst another has an insignificant labour force but very expensive machinery and/or space requirements. But you must concede that such conditions as these do not often occur.

Some little economy of effort may be obtained by short circuiting the allocation of some items which form a negligible proportion of total cost, but there is a danger that a lot of small inaccuracies can creep up to a significant total.

The Best Combination of Products

Client: *Finding the most profitable product or mixture of products sounds more complicated than one would think – surely there must be a much more simple answer?*

Adviser: If one could forecast future prices, the volume of demand, and stable product costs, it would be relatively easy in the long run and for the same volume of total turnover, taking roughly the product with the highest percentage profit over total cost and including it in the mix to the highest volume that could be sold; and then working similarly down through the second 'most profitable product' till one had built up to the same volume of turnover (or higher if there were no space or capital limitations). This assumes that one would be equipped with the appropriate plant capacity to achieve this.

This would also apply in the short run in those rare cases where the plant and the labour force are completely flexible and able to switch over and deal with any product in any proportion to the total volume without reducing the total volume of flow.

Another simple technique for finding the most profitable products in the short run is applicable in cases where one can isolate a dominant bottleneck affecting all products. The method is to multiply the marginal contribution per unit of product (the difference between price and variable cost per unit) by the rate of producing these units at the bottleneck process per week or hour to give a scale 'factor' representing contributions per capacity unit at the bottleneck. This will give a scale of the relative short-term profitability of the products with the *existing* capacity provided they can be sold.

It is rare, however, to be able to find a single dominant bottleneck operating for all possible patterns of production. Usually, others come into play or can only be relieved at an additional cost. It may be helpful in such cases to provide, for each product, several scales of contribution per limiting factor for the process which may be the bottleneck at a particular time, and where there is a choice of product to use the scale for the limiting factor at that time or stage, in order to pick the best product for the immediate circumstances.

Where there is a lack of orders at any price and no bottlenecks, one falls back on marginal contributions, at the same time keeping an eye on long-term effects of abetting in the growth of an unduly low price pattern climate.

Under full activity, the usual situation is generally complicated by a network of potential bottlenecks which reduce the flow or give resultant cost bearing idle capacity in one section or another. This often calls for an experimental technique to arrive at the production pattern producing the highest profit, or more complex techniques such as linear programming.

Helpful indications can sometimes be provided, however, such as providing guiding lights and starting-points used with caution; but a completely elementary and simple solution has not been, nor seems likely to be, found for many cases in multi-product industry.

One is up against the awkward perennial

problem of trying to make the best of temporary short-term conditions, whilst at the same time avoiding prejudicing the attainment of potential long-term gains. For this, reference may have to be made both to marginal and to total product costs and the answer usually lies in a combination of products.

Return on Capital Employed

Client: *You haven't mentioned return on capital employed which everyone talks about.*

Adviser: The simple answer lies in the formula:

$$\frac{P}{S} \times \frac{S}{C} = \frac{P}{C}$$

where $\frac{P}{S}$ is the ratio of profit to sales and $\frac{S}{C}$ is the ratio of sales to capital employed. In other words, if the profit on sales is 10 per cent, and annual sales are twice the capital employed, then the return on capital employed will be 20 per cent. Here again, however, things are not quite so simple and may require special studies when different products make different calls on the amount of capital employed.

Client: *How often would you say this information has to be collected, and what is the work involved?*

Adviser: It all depends on the type of trade and the data already collected for other production requirements. Some types of special non-repetitive jobs are only priced and invoiced after the costs of the work have been collected; whereas for repetition work, standard product costs can be built up at intervals, which will serve for some considerable time, provided certain cross-checks are maintained to ensure that conditions are not changing.

ACCOUNTANTS IN INDUSTRY – II

Accountants in the Oil Industry

by S. R. HARDING, F.C.A.
Finance Adviser (East & Australasia) of the Royal Dutch/Shell Group of Companies

IN writing this article, at the request of the editor, I can only speak for my own group, which is comprised of some five hundred companies and is the third largest industrial organization world-wide. However, the place of accountants in my organization must be reasonably representative of their place in any major oil company.

Oil is essentially international business, and our intake of accountants for international service must be men who can play their part in this scene. There are, of course, subsidiary and associate companies in almost every country outside the Soviet *bloc* and these employ accountants for service solely in those countries, as for example do Shell-Mex and B.P. in the United Kingdom. But some of these men get the urge to travel outside their own country and, if they are good enough, they find their way into the international stream. This is happening more and more as the best men from the various countries press their way to the top.

There are at present some one hundred nationalities working in the group, and men of no fewer than forty countries are working – that is to say, doing a job and not simply under training – in countries foreign to them. In London and The Hague, where we have our central offices, it is unusual to enter a lift without meeting a man from some far-off country who is either here on a course or doing a job for a few years as part of his career development. There is also a certain amount of staff movement between countries for limited periods: in the past year there have been moves on the finance side of a Filipino to Colombia, a Finn to Malaysia, a Brazilian to Angola, a German to Pakistan – and so it goes on.

Career Development

All this may sound something of a maze in which one could easily be lost, but the personnel organizations in the oil business are extremely strong; everything is most carefully and well thought out.

Career development and training are also given a lot of thought and time by people like myself, with personal knowledge of the men concerned; there is, in many ways, less chance of a man becoming lost in such an organization than in a smaller one which may not be able to devote the same amount of time and money to preparing the managers of the future. Also, in a big organization, sideways moves leading to promotion are often possible if a man gets blocked in his career; in a smaller organization he may have to get out to go up. Big organizations used to have the reputation of being 'just like the Army' and of being repositories of unexploited potential: but from my experience this is certainly not true of the oil industry.

It might be inferred that in our efforts to train up the nationals of other countries we are reducing the opportunities for men from the United Kingdom and the Netherlands. In fact, the need for really good men, from any country, will not decrease since the volume of trade is expected to double over the next fifteen years whilst the business will become more complex and diverse. Another reason why we shall always be looking for good men is that we are being called upon more and more to feed them out of finance into other functions and into jobs where they manage a company as the chief executive. This is an increasing drain on our manpower in finance, and we are looking for quality not quantity.

There will, in the future, be less room for the mediocre performer, however well qualified on paper. The cost of sending men overseas is constantly increasing; and the more local staff we can employ in a country, the greater will be the identity of the group with that country. We do not engage men today for international service unless they appear to have the potential to fill management chairs in due course.

What type of man are we looking for on the finance side, and with what qualifications? Our intake into the international stream is a blend of men with professional qualifications and of graduates with a leaning towards finance, though the latter may have read Greek or anthropology at their university. This works well, the types are complementary and it is not always easy to tell one from the other when they have done a few years' service. There are also, from time to time, vacancies for men (and women) for particular assignments in taxation, insurance, banking, investment, computer work, etc.: but these need not complete their careers as specialists if they have the desire and ability to branch out.

A typical career for a young man coming into finance might be as follows. A six months' initial training in London and/or The Hague, including a spell in the computer centre, would be followed usually, but not invariably, by an assignment overseas. This would be in a company engaged in some or all of the functions in which we are involved, i.e. exploration, crude oil or gas production, refining, marine transportation, or marketing – and the products concerned might be oil, gas or chemicals. A qualified accountant would probably be put in charge of a small section of the central finance organization or of all the finance work in a small outlying operating unit, whilst a graduate would be more likely to gain experience in the internal audit team. During this time his immediate superior might be of any nationality, and he would usually be expected to learn to speak and write the language of the country: I was fortunate enough to learn Spanish in Buenos Aires and Portuguese in Rio de Janeiro – this was no hardship as a bachelor!

Prospects

Climbing steadily up the ladder he should find himself at the age of perhaps 35 (with money in the bank) as chief accountant, treasurer, chief internal auditor, or methods manager in a large company (these are the senior posts under the finance manager in most companies) or as the finance manager of a smaller company. By then he would probably have attended one of the courses in the central office for junior management, and his progress would have been 'average'. Some do a lot better and a few fall by the wayside. If doing well, he might then have the opportunity of an assignment in London or The Hague for a couple of years before going overseas again as the finance manager of a largish company or, if particularly suited to the work in the central office, he might stay in London or The Hague. By now he has 'broken through' – he is a man of some importance among the 225,000 employees of the group (of which less than three hundred are expatriate finance staff working overseas) and the sky is the limit.

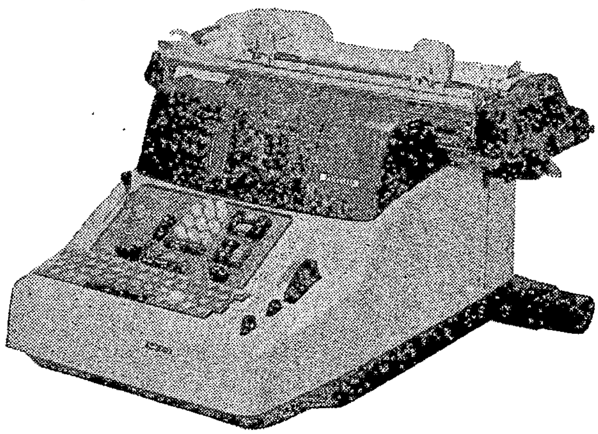
The top position on the finance side is that of group finance co-ordinator, filled at present by an English chartered accountant; but it is possible to branch out of finance, as did one of our three British managing directors, who was at one time a finance manager overseas, and as did also the group marketing co-ordinator. However, the

HOW FLEXIBLE IS 'FLEXIBLE'?

Flexibility comes in different sizes. It is a flexible term.
Applied to the new **Olivetti Audit** 24-class range of accounting machines it means 'flexible to individual requirements over a wide range of applications'.
As flexible as this because:

- there is a choice between eleven different models;
- every model carries four distinct work programmes on its programme panel, and operates in both advance and return carriage directions;
- besides the normal programmed commands, the content (zero or otherwise) or the sign of the content (plus or minus) of a register can create an automatic selection as necessary.

And yet the **Olivetti Audit** 24-class machines are less expensive to install and to run.



199

as organisations and firms like these The American Express Company Inc British Railways (Southern Region) · Cow & Gate Ltd · Evershed & Vignoles Limited Fiat (England) Limited · Forestry Commission · Horizon Holidays Limited · Kenwood Manufacturing Company Limited · J Lyons & Company Limited · Morganite Crucible Limited · The Observer Limited · James Robertson & Sons Preserve Manufacturers Ltd · Sangers Limited · Tetra Pak (London) Limited **have already discovered**

British olivetti Limited - 30 Berkeley Square - London W1

chances are that our friend will finish his career, if this has been successful, either in an important position in the central office finance organization or as the finance manager of a large overseas operating company, which would be a sizeable concern judged by any standards. I should explain here that our finance managers overseas wear three hats: the first as the finance expert; the second as an active (not a non-playing) member of the management team; and the third as the manager of the financial and accounting staff which is generally the largest administrative unit in any of our companies.

Growth Potential of Oil Industry

The fascinating thing about working in international oil is that one is in an extremely competitive business with tremendous growth potential, and that the scene is constantly changing. Fresh developments are taking place all the time and one is not only doing business with customers, but negotiating with Governments. With annual proceeds of some £3,500 million and capital expenditure of around £400 million, which figure is more than double the annual Government revenue of countries such as Denmark and Switzerland, there is unlimited scope for ability and agility on the financial side of our organization. There are group companies in every stage of development, from Shell Oil – a very large and fully integrated U.S.A. company with outside shareholding – to exploration ventures and minor marketing companies in the most remote parts. A fast increasing number are using computers.

I gave a talk last year at the English Institute's Summer Course at Cambridge entitled 'Increased productivity – the role of finance', which was reported in the Press and professional journals (including *The Accountant* of October 5th and 12th, 1963), and this went into some detail about our overall and financial organization which I do not intend to repeat. There are, however, a few points which I should like to stress.

A sound knowledge of accounting, audit and controls, whilst an important base, is insufficient for a man who wishes to make a thorough success of his career on the finance side in the international oil business. Neither is a professional qualification a guarantee of success. The further one goes up the ladder, the further one gets away from the books – or the cards or the tape as it may be. The problems move to the evaluation of new investment projects, the study of possible take-overs, the use of our own funds as compared with borrowed funds, the implications of changing exchange rates, capital structure and gearing, dividend policy, international taxation, cash generation, the world money markets, quotations on foreign stock exchanges, pricing policies, etc. Above all, the ability to assess the present and future is more important than to record the past. There is also the constant need to streamline and improve efficiency.

The profession must stimulate greater interest by members in such subjects, which are essentially commercial and not academic. The new business schools will undoubtedly place great emphasis on them and we must be up with the game. In my opinion, six months in the right industry and on the right work, is useful for, articled clerks in this connection, between the Intermediate and Final.

Cross-fertilization

Another point is the cross-fertilization of finance and non-finance men. An important part of the job of finance men is to educate non-finance management and potential management in financial matters. On my own staff I always have two who have proved themselves in other functions, maybe as marketeers or engineers, and who are destined for important managerial positions. They work with me for a couple of years, and in a surprisingly short time they can play a useful part on the financial side. I welcome them as men of intelligence who ask the why and wherefore of the things which some accountants are inclined to accept without question. British business men and, regrettably, some accountants need more financial know-how: this is one way of getting it across to non-finance men.

Salary scales in oil are constantly under review and are entirely competitive in all respects, with some very large plums at the top of the tree. The starting salaries for newly-qualified men are among the highest on offer. People are paid in line with the importance of the decisions which they have to take, bearing in mind the cost to the shareholders if those decisions are faulty: this is essentially a commercial yardstick. They are also handsomely rewarded financially for the inconvenience which they and their families may have to face in what can at times, in the early years, be something of a Bedouin existence.

An Investor's View of Company Accounts – I

by D. NAPPER, F.C.A.

Introductory

FIRST, every investor, whether he is looking for a return on his money in the form of income or of capital appreciation, is vitally concerned with the quality of the management of the company.

Secondly, while the company remains successful, the equity investor attaches greater importance to the profits and earnings than to the assets of the company.

Thirdly, the investor views the past only as a guide to the present and the future.

There will be qualifications to these general propositions, but it is from this viewpoint that the investor looks to the accounts for guidance and information.

1. (a) The investor

Beyond indicating a financial interest in a company, the phrase is delightfully vague. I would only add he is a person who does not wish – unless he is compelled to do so – to take any part in the management of the company.

Of those who may wish to examine the audited accounts of a company, few can be excluded from the definition of investor, existing or prospective. We can leave out the management and the employees, the odd economist or collector of statistics perhaps, and the Inland Revenue despite their prior claim on the earnings of the company.

We should include:

(i) The individual investor in quoted companies, usually an equity investor, trying to hedge against inflation. This individual may be a widow or an orphan, the man-in-the-street, a speculator, a capitalist, or a 'wider owner' according to one's purpose – or politics. With him must be included the advisers and agents on whom he depends, the financial commentator in the Press, the stockbroker, the bank manager, the solicitor, and the accountant.

(ii) Then there is the shareholder at arm's length. Possibly he is the only outside shareholder in a very private limited company. His only contact, perhaps since his retirement, or since his father's retirement, may be through the annual report and accounts of the company. How much information can he glean from the bare accounts? How dependent he is on the good faith of the management! He has no adviser; *his only friend is the auditor.* His rights will not be wilfully overlooked, but may not his interests in disclosure in the accounts be a little neglected sometimes – just occasionally!

(iii) Next the institutions – the insurance companies, the investment trusts, the pension funds, the issuing houses. With their investment managers they are supported by a professional staff, comprising economists, actuaries, accountants, statisticians, market research and industrial experts of all kinds.

(iv) To these we must add, where the context permits, those to whom the company may have financial commitments – the joint-stock bank, the merchant banker or acceptance house, the hire-purchase or deferred creditor, and the institutions providing long-term finance. With these, we should include the general body of creditors, and behind them, their agents, the credit inquiry agencies.

(v) Finally, there is the prospective purchaser of a business; not a take-over king, but perhaps your client – a company or business man – who wishes to expand and has asked you to advise and report on his proposition before making an offer for the majority interest in a company.

The range is wide, from the part-time amateur to the full-time professional; the investor's view will inevitably be tinged by his background.

Taking the amateur first, he looks to the annual report and accounts for information about 'his' company. He regards the directors as having at their finger-tips all the information which he requires. If he does not always regard himself as equally entitled to that information in full, he rarely sees any good reason for concealment. Any refusal to give such information creates a suspicion that the management has something to hide, that all is not well, or that some privileged investor knows more than he does.

Mr D. Napper, F.C.A., of Industrial & Commercial Finance Corporation, author of this paper given at the Cambridge Summer Course of The Institute of Chartered Accountants in England and Wales on September 11th, was admitted to membership of the Institute in 1936.

The case for non-disclosure is, I believe, more historical than rational. It is based on the theme that the Englishman's home is his castle; that his private affairs are his own, particularly his financial affairs. This is logical enough when we consider the sole trader, the partnership, or the company with unlimited liability. But if the privilege of limited liability is to be enjoyed, then the management must accept the *corresponding duty of full and proper disclosure* to 'outside' shareholders and to whomsoever may have dealings with the company.

As to the professional and the investment analyst, he would like to view the highlights in the annual report first and follow this up with a more detailed analysis later. Since he is always comparing one company with another, he has a natural interest in standardization of presentation. By instinct he calls for more disclosure. He knows which factors are material to the company's prospects, and, if the necessary information is not specifically disclosed, he must make his own assessment of these factors. And he is vitally concerned with current information, with current values and with future prospects.

The small investor therefore wants a simple picture of the company and its progress, whereas the institutional investor would like much more comprehensive information, presented more simply and more frequently.

1. (b) The company

In putting the investors' point of view, there are many reasons why we should not concentrate unduly on the company having a quotation on a recognized stock exchange.

Of the 460,000 companies registered in England and Scotland, less than five thousand have a quotation for any class of share or debenture. If each of the unquoted companies has on average, say, only five outside shareholders or investors including the interests of lenders, bankers, and others, thus, allowing for duplication, we can conclude that there may be more than a million persons, outside the management, interested in the accounts of such companies.

There are, however, more vital reasons for including in our consideration, and even concentrating on, the accounts of the smaller and unquoted companies.

First, the principles, and the effects, of differing accounting concepts are so much clearer in the smaller company; the contrasts between disclosure and concealment are greater; and the very purpose of the publication of the accounts is at stake.

Secondly, there is the possibility – even the likelihood – that *the accounts of every company will in future have to be filed with the Registrar of Companies.* This surely is the time to consider what the shareholder or investor needs from the accounts – as a matter of principle in the smaller company, rather than as a matter of practice in the quoted company.

Thirdly, the accounts of the 5,000 quoted companies are constantly subjected to the limelight of the financial Press. Each day, each week, each month, the City columnists comment on the accounts of individual companies in the quoted range. Yet, more than four hundred thousand annual accounts of unquoted companies have so far rarely seen the light of day. How well do they set out the information required by the investor, particularly the outside shareholder and the lender? Ought we not to give equal thought to the presentation of the accounts of small companies as to those of the larger quoted companies?

1. (c) Annual accounts – their purpose

All financial reporting serves a variety of purposes, the annual report and accounts most of all.

It has been said that the smallest company has audited accounts prepared annually:

(*a*) For the Inspector of Taxes.

(*b*) To comply with the Companies Act.

Neither of these purposes inspires any great sense of urgency. With over-employment in our profession in the last twenty-five years, it is not surprising that the accounts of the smaller companies have not been prepared as promptly as perhaps they might have been. Among small manufacturers, *the average time taken to issue the accounts is about six months* after the end of the financial period; 20 per cent are not issued within nine months.[1] Both the delay and the form of presentation – and perhaps the very conservatism of the profession – have been contributory factors in discouraging the proprietor or management of the small company from making as much use of the annual accounts for management purposes as he might. Could we not therefore design the accounts of the small company to be of more use both to the proprietor and to any outside interests?

Turning to the larger unquoted company, and perhaps the smaller quoted company, the management is likely to show a more lively interest in its annual accounts. The first draft of the accounts – if not the audited version – is awaited with some impatience. It serves a purpose in showing the management where it is going. The secretary/accountant or the financial director will make use of the accounts to explain and to put over his financial policy to the management or to the other directors. He may need to present them to the bank or to other lenders. He will have less aversion to the payment of tax than has the proprietor of the smaller company. With this size of company then, there is a duality of purpose – the accounts are in practice prepared both for financial management and for information to investors.

The larger quoted company will have separate

[1] Referring to accounts for Schedule D assessments for the previous fiscal year, the Chief Inspector of Taxes stated that 'At the beginning of October, a little more than 50 per cent of the necessary accounts have been received, against a 1938–39 percentage of over 80.' (*The Accountant*, March 18th, 1961 – page 319.) Six months after the end of the fiscal year would presumably mean nine to twelve months after the average financial year-end.

accounts for day-to-day management. The annual accounts, therefore, will only serve the management in a confirmatory capacity. I do not, however, believe that there need be any basic clash of interest in presenting accounts for management and for information to shareholders. The simpler and clearer the picture presented by the accounts, the more useful they will be, both to the investor and the management.

Whatever the size of the company, therefore, the purpose of the accounts is not merely to comply with the Companies Act or to give minimum information specified, but to inform the investor as well as the management.

1. (d) The classification of companies and the filing of accounts

The Companies Act, 1948, recognizes three classes of company:

exempt private companies,

non-exempt private companies, and

other companies.

The third class is commonly known to lawyers and accountants as 'public companies', though the business world reserves this description for companies having a quotation on a recognized stock exchange. It will be recalled that our Institute[1] recommended to the Company Law Committee that the present distinction between non-exempt private companies and other companies should be dropped, i.e. that all companies, other than exempt private companies, should be public companies.

The Committee have, in the event, grasped the nettle firmly and advanced a great deal further along this line. In paragraphs 63 and 67 of their report[2], they have recommended that there should be *no basic distinction between any class of limited company registered under the Companies Acts*. The only companies to be exempted from the requirement to file accounts would be unlimited companies. This decision appears to have been clearly taken, '*because disclosure is right in principle* and necessary to protect those who trade with and extend credit to limited companies'.

I believe that it is possible to accept this recommendation in principle, and yet in practice have some reservations for the *very* small company. It is proposed at this stage that we should make no further reference to the present legal distinctions between exempt and non-exempt private and other companies; and that we should treat all limited companies alike as far as possible, distinguishing them only when necessary by other criteria.

[1] Memorandum for the Company Law Committee – submitted by the Council of The Institute of Chartered Accountants in England and Wales, June 1st, 1960.

[2] Report of the Company Law Committee, June 1962. Cmnd 1749 (The Jenkins Report). References to this report are shown thus: Para .... C.L.C.

Annual Accounts – in Practice

2. (a) Unquoted companies

Here I would like to touch on the difficulty which a finance house investing in unquoted companies has in practice in collecting and assembling the accounts which it requires – a difficulty which may also be met by any accountant in the preliminary stages of advising on the purchase or floatation of a company.

In any particular unquoted company, the information required may be contained in:

(i) a single set of full long-form accounts including a manufacturing, trading, and profit and loss account with the auditors' report either set out on the balance sheet or attached thereto, or

(ii) unaudited detailed accounts 'For the use of the Directors'; and a separate shortened version for the shareholders with the auditors' report thereon, or

(iii) a detailed manufacturing, trading, and profit and loss account which can be reconciled with the audited shareholders' version.

Occasionally one also comes across a company with full audited half-yearly accounts, with some special form of detailed accounts such as voyage or contract accounts, or with no detailed accounts at all.

The finance house will usually require both the detailed *and* the audited accounts, and the non-accountant director or secretary finds this request a little difficult to comprehend.

Another disconcerting feature of unquoted companies is the frequency with which the so-called group accounts are presented to shareholders without consolidation. A surprising number of such companies have subsidiaries of material size. Two or three separate sets of accounts are dispatched with the notice of the annual meeting – or even after such notice – but with no indication of the relationship between the companies.

The difficulty in practice is to determine the relationship between the companies of which you have the accounts, and to decide upon what other accounts you may require. In companies of the size which we are discussing, there are, more frequently than not:

(*a*) associated companies under common ownership, or

(*b*) subsidiaries not consolidated, or

(*c*) consolidated subsidiaries, and

(*d*) minority interests in subsidiaries.

It is unusual for the accounts to be set out in such a manner that, even given the audited accounts of all the individual companies for a period of ten years, one can determine the relationship between the companies and sort them into the above classifications. Provision of the separate detailed accounts of the same companies will sometimes help, but, even with these, it is usual to have to resort to information outside the accounts to determine the relationship between the

companies. The significance to the investor of this relationship is not always appreciated by directors, and the accuracy of the information given by them often requires verification before it can be accepted.

2. (b) The small manufacturing company

I wish that I had the space to set out some company accounts which I have the privilege of seeing. I think I could convince you that, as a profession, we have neglected the small manufacturer – that we have prepared his accounts as though he were a small shopkeeper. His accounts are based on a system of double entry – as set out in the textbooks of yesteryear. This system grew up in the counting house, not in the factory. The entries in the ledgers were built up to a final trial balance; the figures were transferred to the balance sheet and the profit and loss account up to a point where it came rather as a shock to find that they could not be completed until the managing director had been asked for a new stock figure – and he would actually have to consider some figures which were provided in the works.

I have seen these accounts covering six or seven pages of foolscap, with every motor-car set out as a separate item in the balance sheet, with shillings and pence and often half-pennies in the accounts, with 'Wages and Salaries' lumped together as one item, but with a long list of overheads in haphazard order. The net tangible assets, the profit before tax, and particularly the profit retained for the year, require a certain agility in mental arithmetic before they can be discovered.

This is not the place or time to consider the advances made in recent years in management account-

Example 1

OLD SMALL MANUFACTURER LTD

Trading and Profit and Loss Account for the year ended March 31st, 19..

Previous Year £		£	s	d	Previous Year £		£	s	d
83,842	To Purchases	100,411	3	7	201,682	By Sales, less returns ..	226,342	7	10
55,940	Wages and National Insurance	62,462	2	11	50,200	Stock and Work in Progress, March 31st ..	62,487	1	4
1,184	Fuel and Power ..	1,918	11	2					
					251,882		288,829	9	2
140,966		164,791	17	8	45,099	*Less* Stock and Work in Progress, April 1st ..	50,200	8	6
65,817	Gross Profit, carried down	73,837	3	0					
£206,783		£238,629	0	8	£206,783		£238,629	0	8
£		£	s	d	£		£	s	d
3,000	To Directors' Salaries ..	3,000	0	0	65,817	By Gross Profit	73,837	3	0
24,037	Wages and Salaries ..	26,062	12	1	198	Discount Received ..	221	1	4
1,971	Holiday Pay	2,344	9	0	100	Rent Received	100	0	0
3,666	Rent and Rates	3,812	3	11					
319	Maintenance and Repairs	1,595	7	11					
679	Lighting and Heating ..	710	9	10					
585	Insurances	686	7	8					
1,751	Telephone and Telegrams	1,896	5	3					
3,519	Motor, Travelling and Entertaining ..	4,785	11	10					
747	Printing and Stationery	983	7	3					
6,260	Advertising	4,719	18	10					
1,341	Postages and General Expenses	2,409	7	6					
306	Discount Allowed ..	217	11	3					
412	Accountancy and Audit	430	0	0					
3,634	Commision	4,513	5	6					
468	Legal Charges	395	15	7					
2,046	Bank Charges	2,853	5	8					
1,759	Loan Interest	1,241	9	3					
4,205	Depreciation	4,276	7	8					
38	Bad Debts	43	5	5					
—	Loss on Sale of Motors..	100	0	0					
200	Manager's Bonus ..	250	0	0					
2,623	Provision for Taxation..	3,412	0	0					
2,549	Balance, carried down ..	3,419	2	11					
£66,115		£74,158	4	4	£66,115		£74,158	4	4
£		£	s	d	£		£	s	d
520	To Directors' Fees ..	520	0	0	33,258	By Balance brought forward, April 1st	35,287	1	2
35,287	Balance, carried to Balance Sheet	38,186	4	1	2,549	Balance, brought down	3,419	2	11
£35,807		£38,706	4	1	£35,807		£38,706	4	1

Example II

NEW SMALL MANUFACTURER LTD
Manufacturing and Profit and Loss Account

Schedule No.	Year ended March 31st, 19..			Previous Year
	£	£	£	£
1. *Sales*			226,342	201,682
Direct Costs				
Purchases for stock	80,141			69,117
Opening stock	32,421			29,618
	112,562			98,735
Less Closing stock	37,165			32,421
Materials Used	75,397			66,314
Sub-contract and direct expenses	13,121			11,078
Productive wages	37,981			34,835
Prime Cost of Production		126,499		112,227
Factory Overheads				
2. Indirect wages and materials	31,630			24,752
3. Works expenses	16,682			11,331
4. Depreciation of plant	3,162			2,888
		51,474		38,971
Factory Cost of Production		177,973		151,198
Work in Progress				
Opening work in progress	17,779			15,481
Closing work in progress	25,322			17,779
		7,543		*2,298*
Factory Cost of Sales			170,430	148,900
Manufacturing Profit			55,912	52,782
5. *Administration*		25,888		25,210
6. *Selling and distribution*		19,623		19,007
7. *Finance*		4,090		3,913
			49,601	48,130
Profit before tax			£6,311	£4,652

ing for the small manufacturer. But even where such systems of financial control are now in use – often in the form of monthly accounts with budget comparisons – it is not uncommon to find that the annual accounts are still presented in the same basic form as they were thirty-five years ago.

Examples I and II are merely by way of illustration.[1] What is an investor – be he shareholder, banker or lender – to think of the management and the financial adviser of Old Manufacturing Co? *The conclusion that they are using out-dated methods – certainly of accounting and probably of management and manufacturing – is inescapable.*

It is appreciated that bricks cannot be made without straw and that some basic records must be kept by New Manufacturing Co. But frequently a large proportion of such records – time-sheets, stock records, material requisitions or priced specifications, cost sheets – are maintained for comparison with estimates for work. So often, it is only their finalization and incorporation into the accounting system which falls short.

2. (c) Quoted companies

The present form of the published annual report, comprising notice of the annual general meeting, the directors' report, the accounts, and the chairman's statement is familiar to all of us, and does not call for further comment at this stage.

In addition to the annual report and accounts, a company having a quotation on the London Stock Exchange issues, at the same time as it gives notification of its final dividend, a preliminary profit statement in accordance with the requirements of the stock exchange.

The amount of information given in the chairman's statement will often reflect his personal attitude to shareholders and to prospective investors. He may have obtained a quotation for his company only to provide funds for death duties and may personally shun publicity. He may need – and enjoy – the goodwill of the shareholders and the general public. He may even bask in the limelight of publicity.

2. (d) Non-accounting information

Let us return to the investor and *consider what he wants to know*. He, or his adviser, will first wish to be reminded of:

(*a*) What the company does.
(*b*) What are its main subsidiaries.
(*c*) Who are its directors, and what are their functions.

He may remember some of these items but he is surely entitled to a little reminder; and certainly to be informed by the directors of any substantial changes which may have occurred during the year.

What are his chances at present of being given this information? Our shareholder at arm's length may not even have the directors' names. He will have no chairman's speech and little information in the directors' report. His only chance is to attend the annual general meeting, however inconvenient that may be.

In a quoted company, some of the information may be available in the chairman's statement or through one of the information services. In most cases, the chairman's statement will have had the approval of the directors. Should not the more basic information therefore be contained in the directors' report?

The directors' report is, I would suggest, a much misused document. Often it merely sets out the figures in the profit and loss account in a different form. This rarely serves any very useful purpose, especially when the comparative figures are not shown. The profit and loss account itself should be in a sufficiently prominent position and should be set out in a form which the shareholder can understand.

There are many useful purposes to which the directors' report could be put. Encouragement to this end could be given, if not by stock exchange regulation and rule of law, then by professional recommendation and by the financial Press.

Subsections (1) and (2) of section 157 of the Companies Act, 1948, cover the present requirements

[1] In comparing Example I with Example II, it will be appreciated that Example II would need to be accompanied by a separate 'shortform' version of the Profit and Loss Account. This would commence with profit for the year before tax, after charging the items which are at present required to be separately disclosed.

of the law, but subsection (2) calling for information relating to any change in the company's subsidiaries or in the nature of the business is virtually eliminated by the proviso that the directors do not have to give this information if, in *their* opinion, it be harmful to the company's business.

The Report of the Company Law Committee contains the following recommendations in the first two sub-paragraphs of paragraph 122:

'122. (*a*) there should be circulated with every balance sheet laid before a company in general meeting a *directors' report, chairman's statement or other document* containing the following information in addition to that at present required under section 157 (1):

- (i) the names of the directors;
- (ii) the main activities of the company and of its subsidiaries during the financial year;
- (iii) any major changes in these activities during the year;
- (iv) any major changes in the fixed assets of the company and its subsidiaries during the year;
- (v) an indication of any substantial difference between the current market value of the company's fixed assets and their book value, where this has not been indicated in the accounts and where the difference is, in the directors' opinion, of real significance to the shareholders;
- (vi) the circumstances in which any capital has been issued during the year;
- (vii) whether there is in force any contract (other than a service contract with a director) whereby any individuals, firms or bodies corporate undertake the management and administration of the whole or any substantial part of any business of the company and in which any director has a material interest;
- (viii) any other matters, so far as they are material for an appreciation of the state of the company's affairs, disclosure of which would not in the directors' opinion be harmful to the business of the company or of other companies in the same group;

(*b*) If the above information is provided in the *chairman's statement or any other document* instead of the directors' report, all the directors should be made responsible for the accuracy of the facts stated in such document.'

These recommendations would make a useful document of the directors' report; the joint responsibility of the directors would go some way to ensure proper disclosure.

I see no good reason for the reference to the 'chairman's statement or other document', and believe that this should be eliminated. The names of the directors could remain in their usual place by inserting above them the heading, 'Report of the Directors'. The inclusion of other suitable headings such as secretary, registered office, auditors, bankers and solicitors, would not appear to raise any special difficulty. Any matter more conveniently dealt with by way of schedule could easily be included by reference in the directors' report.

Future capital expenditure could well be another matter which should be included in the directors' report. While the Eighth Schedule at present refers only to contracts not already provided for in the accounts, it is accepted that this should be extended to capital expenditure authorized by the board, but for which contracts have not yet been placed. This may result in a note on the accounts setting out four pairs of figures, contracted and authorized, holding company and group, this year and last year. It may not be wise, or even necessary, to dispense with the auditor's responsibility for these figures; but most investors would prefer some useful comment, with the backing of the board, on the composition of the figures to a bare statement of the figures in the notes.

There are also a number of other matters in which the directors are more concerned than the auditors. These could be removed from the 'Notes on the Accounts' to the directors' report. Basically, any note which starts with the words 'The Directors are of the opinion that . . .', or contains similar wording, calls out to be incorporated in their report, rather than in the notes to the accounts.

2. (e) Treatment of the accounting information

The investor will be primarily interested in the profit for the year and in its disposal or retention by the company. He will also take an interest in the 'state of the company's affairs', i.e. the balance sheet.

The individual investor would prefer to see these set out as a simple picture, without getting involved in accounting techniques or phraseology with which he may not be familiar.

The more sophisticated investor – the institutions, the stockbroker, or the financial Press – will be similarly interested in the profit, but perhaps over a longer period, i.e. in the profitability of the company. He will take the profit for the year and the dividend and compare it with past years. He will study the chairman's statement and form his own view of the possible profit and dividend for the current year. He will divide the profit for the year between the respective claimants and calculate the income cover for the prior dividends and the earnings yield on the equity.

Similarly, he will take the book values of the assets from the balance sheet. and will divide these between the respective claims of the debenture-holders, the loan stockholders, and the preference shareholders in the form of capital cover; and will then calculate the net tangible asset value remaining for the equity shareholders. If he has any outside information as to the real values of the assets, he will calculate the effect of substituting these for the book values.

Let us therefore take a look at the profit record and the balance sheet in more detail, from the point of view of the average investor lying between the two extremes of the individual with some business acumen but no accounting experience, and the institutions with their own professional staff. (*To be continued.*)

The Accounting World

TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

CANADA

The Canadian Institute's Annual Report

MEMBERSHIP of The Canadian Institute of Chartered Accountants at April 30th last, totalled 12,834 compared with 12,132 for the corresponding period last year, according to the Institute's recently published annual report for 1963–64.

For the second consecutive year increasing costs of the Institute's expanding activities have, the report states, resulted in the Institute operating with a deficit, and it has only been through the rapid increase in membership that the membership fee has remained unaltered since 1948. The point has, however, been reached, the report continues, when an increase has become unavoidable and higher membership fees have been approved as from this year with an additional increase next year. It is anticipated that despite increased revenue from this source a further loss will be incurred for 1964–65 before a satisfactory surplus can be achieved.

During the year under review, committees of the Institute were active in legislation matters. A Bill to amend the Companies Act, introduced in the Senate earlier in the year, contained nearly all the recommendations made to the Secretary of State by the Institute's Companies Act Committee. Recommendations relating to changes in the Bankruptcy Act were submitted by the Bankruptcy Legislation Committee to the Minister of Justice. Present legislation relating to this subject, states the report, is very much in need of revision since chartered accountants make up 80 per cent of the licensed trustees in bankruptcy. In other spheres, a special study group of the Institute's Research Committee commenced work on a series of new booklets on audit techniques, designed to help members in public practice to keep abreast with latest developments, and a further group has been working in co-operation with the Canadian Hospital Association and the Department of National Health and Welfare to publish a booklet dealing with the role of auditors in hospital audits.

On education, the report records that through the co-operation of the provincial Institutes, the 'continuing education programme' has again provided members with the opportunity to keep in touch with challenges and changes facing the profession. Since the programme was introduced three years ago two new courses have been made available each year. As a result of the interest shown by members, four additional courses dealing with tax planning, inventory valuation problems, financing the small business, and improving profits through cost reduction, are to be added during the coming year.

Tax Conference

THE annual tax conference of the Canadian Tax Foundation will take place at the Queen Elizabeth Hotel, Montreal, from November 23rd to 25th. The proceedings will comprise a series of general and panel sessions and among an interesting list of subjects to be discussed are: 'Financing social welfare services'; 'Judicial approaches to tax avoidance'; 'Taxation in the computation of damages'; 'Property transfers – gift, estate and income tax'; 'Tax considerations for exporters', and 'Interjurisdictional and *de facto* mergers'.

Established by the Canadian Bar Association and the Canadian Institute of Chartered Accountants, the Foundation holds annual conferences as part of its work towards the improvement and wider understanding of the Canadian tax system.

TURKEY

The Capital Market

ONE of the problems of Turkish economic development is to make good use of its resources of money capital and, in this context, the possible benefits of an active and reformed Istanbul Stock Exchange have been widely discussed. It is reported that a Bill is to be presented to the National Assembly in 1965 to give effect to the necessary legislative changes.

The central feature of the Turkish economy is a net annual population growth of 3 per cent and investment is planned accordingly to increase the gross national product by approximately 7 per cent annually. The remaining three years of the first five-year plan call for total investment of TL.39,319m. (see Table 1) and although a high proportion of this will come from Government sources, the private sector is required to provide approximately 40 per cent (Table 2).

Various other factors concerning a stock exchange include a well-developed branch-banking system (more than 1,700 branches), although approximately TL.1,000m. of the note issue of TL.5,711m. is reported to be out of circulation; in addition, the Anatolian peasant is a proverbial hoarder of gold.

Existing company law has not encouraged infor-

mative financial statements or the growth of an independent accountancy profession (see 'Accounting World', May 30th issue), and there exist, as yet, no deliberately created incentives to improve the situation.

The successful formation of the Israeli Stock Exchange provides an encouraging example of an exchange started deliberately. Dr Joseph Arnon, a member of the Israeli Treasury who was closely involved in the preparatory work, visited Turkey in March 1963 and during his discussions stressed the need for whole-hearted co-operation between the Government and private sector to create the framework, and, particularly, to provide an impartial application of adequate criteria for public issue or quotation. It remains to be seen how these major problems will be tackled in Turkey and how high initial standards of company reporting will be set.

Current developments are in the hands of some banks, notably the Industrial Development Bank of Turkey, which has made a detailed study of necessary legislative reforms in the light of its experience as a participant in a number of developing Turkish companies. It now carries an extensive investment portfolio and is understood to be willing to make sales to the public. The minimum interest rate for bank loans is an effective 12½ per cent, however, and the lower returns on sound long-term investments attract few buyers. Short-term loans have been known to attract 2 per cent or more per month; but luxury housing, formerly a popular investment, now suffers tax discrimination and may decline in consequence, freezing funds for other uses.

For the Turkish business man, being often part of a closely knit – frequently a family – group, inquisitive shareholders and diluted control are potent negative factors in considering a public issue; the problem is known elsewhere, of course. Exceptionally, the owner of a large group of Turkish companies plans to issue shares first to the employees and later, it is understood, to the public in general. It may be that this example will be followed; the Government, however, having prepared a scheme of low interest credits for housing and business, in return for the foreign exchange savings of more than eighty thousand Turks working abroad, it would appear unlikely that these valuable savings will become available to the private sector.

One foreign-controlled subsidiary acquired its local capital by a public issue through one of the banks. This was a success, and a change from the usual association of foreign companies with either one or more wealthy business men or a commercial bank, to raise capital. In that industrial shareholdings are a novelty in Turkey, a widespread public shareholding in a foreign-controlled company could contribute usefully in drawing attention to its products; moreover, foreign companies in Turkey could usefully demonstrate the benefit of private enterprise by active participation in a reformed stock exchange.

TABLE 1

Total planned investment, by industry. Period 1965–67 at prices. Millions of Turkish lira.

	TL.
Housing	7,800
Agriculture	7,600
Communications	5,650
Manufacturing	5,550
Electricity, coke and gas	3,500
Public services	2,900
Education	2,800
Mining, metals and oil	2,800
Health services	900
Tourism	500
	TL.39,200m

At TL.25.20 – £1 = £1,444m.

TABLE 2

Total planned investment, by year and sector. Period 1965–67 at prices. Millions of Turkish lira.

	Private Sector	*Per cent of G.N.P.*	*Public Sector*	*Per cent of G.N.P.*
1965	4,700	7·3	7,100	11·0
1966	5,300	7·7	7,800	11·3
1967	5,900	8·0	8,400	11·4
	TL.15,900m		TL.23,300m	
	Total		TL.39,200m	

AUSTRALIA

New Tax Proposals

THE most extensive tax recommendations for twenty-eight years are contained in a Bill announced in Parliament last month by Mr Harold Holt, the Government Treasurer. Designed to close loopholes in the Australian tax system, the proposed legislation is aimed at companies, family trusts and partnerships which use superannuation schemes and other methods to avoid tax.

The provisions dealing with the traffic in shares in companies which have accumulated losses are to be strengthened. Losses of a previous year will not be allowed as deductions against the income of any year unless there is a beneficial ownership by the same shareholders of shares in the company that carried at least 40 per cent of voting and dividend rights, and 40 per cent of entitlements to distributions of capital in the event of the company being wound up or reducing capital. Tax rebates relating to private companies receiving dividends from other private companies are to be reduced to half their present level and a special tax rate of 10*s* in the £ is to be imposed on the income of trusts where the income is being accumulated in trust in respect of trusts of unmarried minor children of taxpayers.

SOUTH AFRICA

Coinage Change

ANOTHER step forward to bring about changes in the South African coinage has been taken with the introduction of the South African Mint and Coinage Act.

The best news that South Africans could get is that

the 'tickey' – the old threepenny bit – is to be retained in the coinage as it has proved to be well-nigh indispensible, particularly at the present time when the installation of parking meters and other such machines requiring the use of the 'nimble tickey' for their operation is proceeding at an unprecedented rate.

A new two-cent piece in bronze will be brought into the coinage to test the popularity and usefulness of the 'tickey'. Another new coin is to be a silver R1. which may prove to be popular and is being introduced with the idea that it might relieve the pressure on the circulation of R1 notes.

The full range of the new series of coins will then consist of R1, as fifty, twenty, ten, five and two and a half cent in nickel and two, one and a half cent in bronze. Nickel has been chosen instead of silver because of its greater durability in circulation. The new coins will be reduced to slightly more than half the present size and will be less than half the weight of the existing series of coins.

Power is also being taken to issue two new gold coins, a R5 piece (£2 10*s*) and a piece which would contain precisely 1 oz. troy weight in gold. These coins will be essentially for use overseas and will not circulate in South Africa. The new 1 oz. coin is to be called a 'trojan'.

The Johannesburg Stock Exchange

THE annual report of the Johannesburg Stock Exchange for the year ended March 31st, 1964, was issued recently and makes interesting reading.

At the terminal date there were 250 members of the Exchange, representing 107 firms operating in eleven different centres in South Africa; eighty-seven of these firms being situated in Johannesburg.

The total number of companies listed on the Exchange was 641. These represented 917 securities as against just over four hundred securities listed in 1945 and about eight hundred and fifty in 1955. In addition, 362 different securities, consisting of Government and municipal stocks, debentures and notes were listed on March 31st, 1964.

The total dividends and interest paid on all securities listed for the year was of the order of some R565 million as against some R260-odd million ten years previously. New capital raised during the year amounted to R505,896,791; this comprised about £85 million raised on share issues of limited companies and some R420 million from issues of Government/municipal stocks and debentures.

As at March 31st, 1964, the nominal value of listed securities totalled almost R5,000 million, with a market capitalization of over R11,500 million.

Weekly Notes

THE QUEEN'S SPEECH

THE Queen's speech at the opening of the new Parliament provides few surprises and at first sight there is little evidence that the Government's small majority has induced the Prime Minister to modify any of the controversial measures proposed during the election. But the timing of the various proposals has not been precisely defined and it is not yet clear when or on what grounds the main political battle will be fought.

Early action is promised to re-establish public ownership and control of the iron and steel industry but no information is given as to the way in which this will be done. Similarly, the Government are to establish 'as rapidly as possible' a Crown Lands Commission with wide powers to acquire land for the Community. Apart from the measures already announced to improve the balance of payments, the most immediate proposals are those relating to increased pensions and national insurance benefits. A major revision is to be undertaken of the national schemes of social security, but the Government will not wait until this is completed before introducing interim measures for increasing benefits.

It is difficult to escape the conclusion that most of the initial measures will prove inflationary. Curtailment of imports and expansion of exports will throw an additional load on British industry at a time when there is little spare capacity; this must increase the bargaining power of labour. Steps are to be taken to improve the supply of doctors and teachers and new machinery is promised to determine teachers' pay. Rent controls are to be restored. While little is said of possible changes in taxation it is difficult to escape the conclusion that there may be some unpleasant surprises in the November Budget (expected next Wednesday) which will be needed to give effect to the new import surcharges and the measures to assist exporters. The country will be more willing to accept these if some indication can be given of the longer term measures 'to ensure purposeful expansion, rising exports and a healthy balance of payments'.

CHANCELLOR AT BANKERS' DINNER

IN his first major speech since his appointment as Chancellor of the Exchequer, Mr James Callaghan said on Tuesday, at the annual Mansion House dinner of the merchants and bankers of the City of London, that the Labour Government had no prejudice against market mechanisms when they were efficient. He added that a market which made funds for

expansion readily available to the really efficient and go-ahead firm was a great asset – 'and we should not want to do anything which would impede its successful working'.

Mr Callaghan stated that the Government wished to support any changes which would improve the working of the market and in this connection he welcomed the recent recommendations of the Stock Exchange Council regarding the amount of information which firms publish about their activities and earnings. He looked forward to a continuing rise in the standard of information available to the public as shareholders, investors and employees.

BUSINESS SCHOOLS APPEAL FUND

LORD NELSON OF STAFFORD, Chairman of the Appeal Committee of the Foundation for Management Education, announced last week that £4,650,000 has been subscribed in four months by British industry and commerce for the two proposed British business schools. Contributors include small organizations, as well as medium-sized and large groups, from all parts of the United Kingdom; over five hundred firms have so far subscribed.

This most encouraging response follows the launching of the appeal in June this year, the minimum target of £3 million being achieved by September in what is believed to be a record time for an appeal as broadly based as this one. Lord Nelson expressed the hope that the total would reach £5 million through a large number of smaller but equally vital subscriptions before the appeal closes on December 31st.

The success of the appeal will ensure that the full needs of the business schools at London and Manchester can be adequately covered. It will also provide a larger development fund and will enable support to be given not only to fresh proposals now coming forward from the universities but also to the independent colleges and senior technical colleges.

TWO ESTATE DUTY 'DEVICES' FAIL

THE Court of Appeal has allowed the appeals of the Estate Duty Office in *Lyle's Trustees v. C.I.R.* (43 A.T.C. 1) and *Ralli Brothers Ltd v. C.I.R.* (43 A.T.C. 66). The two cases turned substantially on the question whether two somewhat similar devices for avoiding estate duty on the death of a life-tenant had succeeded in their object. Mr Justice Wilberforce and Mr Justice Buckley had held that they had, but the Court of Appeal (Lord Denning, Lord Justice Harman and Lord Justice Russell) held that the devices failed.

In the *Lyle* case, trustees held a fund on certain discretionary trusts during the life of a Mrs Pattison and after her death on trust for her children in equal shares. In July 1961, when Mrs Pattison was 77, a deed of variation was executed under which the one-third expectant share of one of her children was to be held from her death until July 1968 on the same

Chartered Accountants' Dinner in Bristol. Mr P. K. Pitt, F.C.A., President of The Bristol and West of England Society of Chartered Accountants (*left*) who presided at the Society's annual dinner in Bristol on October 29th, with Alderman Mrs Florence Brown, Deputy Lord Mayor of Bristol, her consort Mr Frederick Brown, and (*right*) Mr W. G. Densem, F.C.A., President of The Institute of Chartered Accountants in England and Wales. A report of the dinner appears on page 588 of this issue.

discretionary trusts. Lord Denning said (according to *The Guardian* of October 23rd) that he could not share the view that the one-third share was thereby held upon the same trusts before and after the death of Mrs Pattison, which occurred a few days after the execution of the deed of variation. All that the deed did was to create a new trust which did not commence until the lady's death. Accordingly, the third share 'passed' on that death.

In the *Ralli* case, Mrs Ralli was life-tenant of a fund, which on her death was to go to such of her descendants as she should by deed or will appoint, and subject to such appointment in trust for her children equally. On December 5th, 1961, she appointed the whole to her two grandchildren. The next day these two assigned to her their interest in the income for the period from her death to December 31st, 1965. This assignment was revocable but they released the power to revoke on December 12th, 1961. Mrs Ralli died on December 24th, 1961, and the Estate Duty Office claimed duty on the whole fund, as passing on her death. The trustees argued that all that passed was the term of years, terminable on December 31st, 1965, and this should be valued. They argued that Mrs Ralli's life interest had merged into this term of years.

Lord Denning rejected these arguments. He said that Mrs Ralli had two separate interests, a life interest and an interest which came into effect only on her death, and only if that death occurred before the end of 1965. It was conceded that if there were in fact two separate and successive interests, then estate duty was payable on the whole fund.

Lord Justice Russell dissented in *Ralli*. He said that if beneficiaries could avoid duty by a variation of interests they were well entitled to do so. If any moral criticism could be levelled at them, then the consciences of the Judges of the Chancery Division, in the exercise of their jurisdiction under the Variation of Trusts Act, 1958, would be in a sorry state.

GATT ACTS ON SURCHARGE

LAST week the Council of the General Agreement on Trade and Tariffs (GATT) decided to set up a group to consult with Britain and to examine the effect of the 15 per cent import surcharge. Membership of the group is to consist of the European Economic Community and eleven other countries. This brought to an end by the close of last week the first phase of the reaction to the United Kingdom's decision to raise its import barriers – described as only a temporary, emergency measure – to defend the balance of payments.

Criticism within GATT last week was strongest from members of the European Economic Community and from the developing countries, including some from the Commonwealth. Two countries expressing sympathy with the difficulties in which the United Kingdom finds itself were the United States and South Africa. It appears that the surcharge was cleared with the United States before it was announced. This no doubt made the sudden announcement none the more acceptable to some member countries of the E.E.C.

Britain was asked to consider other remedies than the surcharge and also to give a date by which the surcharge would be lifted. This it refused to do, the British representative reiterating that the higher duty would be dispensed with as soon as possible. Some of the protest no doubt came from countries wishing to register their formal protest and there have been no signs as yet of proposals for retaliation. There seems to be a general objection, however, to the United Kingdom trying to pass the whole of the problem on to other countries (what used to be called exporting unemployment) or so it seems to the countries affected.

A CALL FOR BREVITY

IT has been reliably estimated that 95 per cent of all human speech is quite useless. Now as a fair proportion of this verbiage is spoken into the telephone and as G.P.O. charges are becoming related more to time than to distance, it is understandable that many users of this means of communication are becoming cost-conscious. One of them, Shell-Mex and B.P., has gone so far as to issue a booklet to its employees explaining why, with the spread of subscriber trunk dialling, brevity while on the 'blower' is more than ever essential. As this company spends £1,000 a day in telephone charges, it is surely entitled to comment with feeling and authority.

And it does. Employees are politely asked to restrict conversations to essentials and are reminded that the state of their health and that of the weather are mostly not relevant to the company's business. The importance of having facts and figures at one's command before embarking on a call is stressed as is also the desirability of helping to make incoming calls (for which the other chap has to pay) equally brief and business-like. 'Always identify yourself immediately' is another golden rule. An exchange of 'Hellos' is a futile and frustrating start to any conversation. Executives who may consider it an indignity to have to dial their own numbers on the P.A.B.X. system are tactfully deflated and the booklet ends with a selection of hints for those gallant ladies of the line, the operators. They are exhorted always to be 'polite, helpful and good-humoured . . . even at the end of the day'.

INSTITUTE OF ACTUARIES

IN his Presidential address to the Institute of Actuaries last Tuesday week, Mr Herbert Tetley, C.B., M.A., F.I.A., said that with the radical changes now taking place in the teaching of mathematics, particularly in schools, many of the old concepts were being swept away and as a result it was hoped to secure a much smoother transition from the school

syllabus to the ideas which the student would meet when he went to university. These developments, Mr Tetley declared, were of the greatest importance to actuaries who leave to these institutions the teaching in basic mathematics needed by all actuarial candidates.

The expansion in the number of universities and colleges of advanced technology which was now taking place was bound to have considerable effect on the type of young man the actuarial profession sought to attract. The boy who formerly left school at about age 18 will, to an increasing extent, tend to go on to a university or other place of higher education.

A constant watch, the President said, was kept on the subjects in which the actuary is trained and examined, in the hope of eliminating any sections which were becoming less important in modern conditions. Mr Tetley emphasized, however, the danger of scrapping earlier parts of the Institute's syllabus which might appear to have no practical application without examining closely the extent to which later parts depend for their logical development on results and techniques developed previously. The advent of the computer, he said, had already had a marked effect and would almost certainly change the relative emphasis placed on different actuarial skills in future.

This is My Life . . .

by An Industrious Accountant

CHAPTER 249

IT is pleasant to finish the proceedings at the annual general meeting with a hearty vote of thanks to the chairman, passed with acclamation. The continuous hand-clapping, the undercurrent of enthusiastic murmurs, the occasional 'bravo' or 'jolly good show' . . . these are all as music to the ears of the directors.

Music, however, is not spontaneous in its performance. It is an art requiring study and perseverance. It can be marred by false notes.

In our early days, when profits were climbing but slowly and our ordinary shares moved only sluggishly on the Stock Exchange, our annual general meetings proceeded rapidly. Resolutions were proposed and passed without comment, questions were scanty, the audience was small and tepid in its reactions. An elderly shareholder, cousin to one of our directors, finally muttered some all but inaudible words of thanks which were accepted in perfunctory style as the meeting concluded.

When he died I foresaw a hiatus, which I indicated tactfully to our managing director. He eyed me with faint surprise. 'Have one of our senior buyers do the necessary', he commanded coldly, so I took my cue. At least three of the top men in the departments held a few shares, so I assessed each in terms of eloquence of expression, diction, and impressiveness of mien. Neither sincerity nor enthusiasm ranked as criteria for this job specification.

Old Smith came out with highest marks, so I approached him with an air of friendly benevolence, not unlike the one I use when handing out notification of year-end salary increases. 'Congratulations, old chap,' I said warmly, 'the managing director and I were discussing the vote of thanks, and you've been selected as the ideal man to volunteer to propose it.'

Smith looked rather suspicious as he tried to opt out of the honour, but I stood no nonsense. It was only a matter of saying that I'd like his acceptance quickly, as the managing director was waiting to discuss the annual staff bonuses with me, and he took the hint.

He did the job well for a few years and the chairman was delighted with his well-turned phrases. The chairman, be it said, tends to take these things at their face value, in spite of his years of experience of human duplicity, and the sight of him smiling embarrassingly at his executive's fulsome eulogy was somehow rather touching.

Increasing net profits brought higher dividends and a couple of bonus issues of shares in their train, and our audiences at annual meeting began to increase. They soon filled our big boardroom. At length a long-legged insurance branch manager (he held our public liability policy and wanted to get on our fire policy panel) jumped up eagerly to propose the vote before Smith could open his mouth, and a fat little fellow from the local garage (he does our vehicle maintenance service) rushed in tumultuously to second it. For three years this pair dominated the vote-of-thanks period, until the time that our profits fell, twelve months ago. Then a raucous-voiced stranger stood up to ask questions of the chair. He wanted to know about the thefts discovered in the Ladies' Furs Section, and about the cost of benefits-in-kind, and about the dismissal of the shirt-factory sub-manager. One hot word led to another. It's always rather damaging to one's reputation to have to state publicly that it's not in the company's best interests to disclose information of a private nature, a statement which tends to bring out the worst in even an otherwise mild-spoken shareholder. When the fracas had subsided nobody mentioned thanks at all; we finished abruptly, and the chairman was rather hurt.

That was last year. Now I have to choose a volunteer for the forthcoming meeting, and so far nobody has agreed to take on the task. It looks as if a little pressure will be needed to avoid hurting the chairman's feelings again.

Finance and Commerce

Home Telerentals

WITHIN Home Telerentals Ltd, whose accounts form this week's reprint, there are two main spheres of activity – television and domestic appliance rental, and dry cleaning – the latter through the 'Martins the Cleaners' subsidiary. Here, then, is an obvious case for complying with the London Stock Exchange's recent directive on the source of earnings in groups with diverse interests.

A year ago shareholders in the company urged the chairman to show the extent of earnings from the two sides of the business. This year, Mr Reginald Cooke, the chairman, meets that request.

In doing so he first asks shareholders to appreciate that it is difficult to give full comparative figures 'without making complicated adjustments to allow for the capital employed in each division'.

Mr Cooke has 'not deemed it necessary to have such adjustments made', but has had 'figures extracted which give the profits, after allowing for the receipts which each company can expect from the associated company, Arnolds Centre Shop Properties Ltd'. The rents paid to Arnolds, Mr Cooke explains, are debited in the accounts of the respective trading companies.

Not a Fair Split

On that basis the profits before tax, but after depreciation, of the dry-cleaning side were £151,088 and on the telerental side £166,114. 'Personally', Mr Cooke adds, 'I do not consider that these figures after depreciation give you a fair split between the two divisions because there is far more depreciation on the one side than on the other.'

Be that as it may, the figures do show how the group pre-tax profit of £317,202 was made up. Lack of comparisons in the breakdown is partially made good by Mr Cooke's later explanation that profits in the dry-cleaning division were less than last year because of a £12,000 increase in rents and rates, a

HOME TELERENTALS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the 52 weeks ended 29th February, 1964

			53 weeks ended 2nd March 1963	
Trading Profits (before charging and crediting the following items)		945,330		937,404
Add Investment Income		55		57
		945,385		937,461
Deduct:				
Depreciation	601,018		680,844	
Directors' Remuneration for management	7,780		7,668	
Directors' Fees	4,985		4,800	
Auditors' Remuneration	4,534		4,668	
Interest on Mortgage Loans	9,866	628,183	10,721	708,701
		317,202		228,760
Less United Kingdom Taxation:				
Profits Tax	35,343		45,201	
Income Tax on Profits of the Period	82,711		100,809	
Transfer from Taxation Equalisation Reserve	2,192	115,862	38,000	108,010
		201,340		120,750
Deduct Amount attributable to Minority Interest		13,145		9,901
		188,195		110,849
Deduct Pre-Acquisition Profit of Subsidiary acquired during the period				859
				109,990
Exceptional Items				
Taxation Provisions no longer required	730		807	
Losses/Profits on sales of Assets	2,054		25,459	
Adjustment of stores valuation	8,644			
Adjustment of Depreciation on Shop Fronts	7,142			
Expenses incidental to Acquisition of Subsidiaries and revaluation of Group Properties	—	178	5,880	20,386
		188,373		130,376
Add Profits brought forward—from Holding Company	5,487		3,188	
from Subsidiary Companies	253,293	258,780	216,944	220,132
		447,153		350,508
Dividends Paid and Proposed				
Interim 6%	30,576		30,576	
Final 12%	61,152	91,728	61,152	91,728
Leaving Unappropriated Profits to carry forward of which £331,225 is retained in the Subsidiary Companies		£355,425		£258,780

HOME TELERENTALS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

as at 29th FEBRUARY 1964

		Authorised £	Issued and Fully Paid £	2.3.63 £
Share Capital of Home Telerentals Limited				
Ordinary Shares of 1/- each		1,400,000	832,000	832,000
Capital Reserves—Share Premium		——	653,010	653,010
Revenue Reserves—Profit and Loss Account			355,425	258,780
			1,840,435	1,743,790
Taxation Reserves				
United Kingdom Income Tax		55,338		78,750
Taxation Equalisation		44,308		46,500
			99,646	125,250
Mortgage Loans			147,159	147,242
Minority Interest in Capital and Reserves of Subsidiary Company			346,555	344,020
Current Liabilities and Provisions				
Creditors and Accrued Liabilities		636,394		575,277
Bills Payable—				
Secured on Rental Agreements	423,427			447,642
Trade Bills	320,710			396,713
		744,137		
Bank Overdrafts		671,143		594,434
Current Taxation		112,413		124,135
Interim Dividend (paid 31st March, 1964)		30,576		30,576
Proposed Final Dividend		61,152		61,152
Minority for Proposed Dividend		7,259		5,584
			2,263,074	2,235,513
			£4,696,869	£4,595,815

	Cost or Valuation £	Accumulated Depreciation £	Net £	2.3.63 £
Fixed Assets				
Freehold and Leasehold Properties	1,589,404	40,488	1,548,916	1,453,787
Plant, Overhead Network, Fixtures and Fittings	1,153,344	577,985	575,359	515,590
Plant on Rental	3,624,754	2,564,066	1,060,688	1,064,095
Motor Vehicles	139,462	66,602	72,860	61,269
Premiums on Leases	57,410	14,349	43,061	45,715
	6,564,374	3,263,490	3,300,884	3,140,456
Net Premiums paid on the Acquisition of Subsidiaries			609,926	618,245
Investments				
Quoted (Market Value £1,107)		1,123		1,119
Endowment Policy		8,200		6,560
			9,323	7,679
Current Assets				
Stocks and Work in Progress at the lower of cost and net realisable value		381,076		476,963
Debtors, Payments in Advance and Interest not yet due on Bills of Exchange		393,060		349,817
Cash in Hand		2,600		2,655
			776,736	829,435
			£4,696,869	£4,595,815

Signed on behalf of the Board

R. GARFORTH COOKE
ARNOLD R. DUCKETT } Directors

NOTES ON ACCOUNTS

1. Company acquired during the Period
The Trading results of Durham County Relay Services Limited are included for the entire 52 week period, the shares being acquired co-incident with the last accounting date.

2. Capital Commitments
Outstanding contracts for Capital Expenditure not provided for in these accounts total approximately £46,570 (1963 £25,934).

3. Depreciation
Provisions for Depreciation have been made on bases consistent with and at similar rates to those obtaining in previous accounting periods with the exception of Television Rental equipment issued after 2nd March, 1963. The revised rate, now applied, has occasioned a depreciation charge approximately £16,500 less than would have resulted on the previous basis.

4. Premiums Paid on the Acquisition of Shares in Subsidiaries

As at 2nd March, 1963	618,245
Less Company acquired during the period:— Durham County Relay Services Limited	1,933
	616,312
Less Capital profits realised by Subsidiaries during the period	6,386
	£609,926

5. Taxation Equalisation Reserve
The Taxation Equalisation Reserve represents deferred Taxation in respect of the excess of Capital Allowances used to 29th February, 1964, over the corresponding amount of depreciation written off book values on all eligible fixed assets.

general increase in overheads, increasing competition and because turnover in some districts has been adversely affected by slum-clearance schemes and by parking restrictions, both of which have taken away regular customers.

In the Telerentals Division, results were 'very encouraging', mainly because of two factors: firstly, the very generous depreciation rate calculated in the past, which means that old sets are 'written down to practically nothing though many are still producing revenue' and, secondly, the very close relationship formed with the company's two main manufacturers – Philips Electrical and Hoover.

Depreciation

A year ago Mr Cooke explained that rental sets had been depreciated by spreading the depreciation over four years and taking 1/48th of the value of the sets for each month after the set had gone into operation. When that policy was put into operation originally, the design and size of television sets were constantly changing and the wastage in the potential change to 625 line transmission had to be borne in mind.

The size of sets has now become more standardized, with many of those put out by the company capable of being converted to 625 line transmission. Sets issued after March 2nd, 1963, are being depreciated over a longer period. Note 3 to the accounts shows that in the 1963–64 financial year the depreciation charge was some £16,500 less than would have resulted from the previous basis. Mr Cooke says that 'by far and away the larger number of sets are still depreciated on the old basis'.

In considering the level of tax on the latest profits it should be appreciated that this year the greater part of the profit has come from the television rental side, which attracts very heavy capital allowances, and that this is the first year in which the increase in investment allowances has been fully reflected in the accounts.

Stamping on Stamps

WHILE rather less is heard about the 'trading stamp war' these days, it would seem that the matter is becoming quite a controversy in South Africa. The latest report of Mr H. Herber, chairman of the widely spread Greatermans Stores, has some forceful comments to make on the subject. He even declares that it is the 'duty of the authorities to act swiftly to halt this parasitic development'.

The benefit to the retailer is 'transitory', he says, for when competitors also offer stamps, as they inevitably will, the advantage vanishes. But the cost of the stamps remains, and retailers have to raise prices to meet them.

For the customer the bait is a price, or discount, on returning stamps but this reward, declares Mr Herber, is actually the built-in cost of the stamps less the stamp company's and the retailer's administrative costs and the stamp company's profit margin. Under no circumstances, he says, does the customer get value for the charge made.

It may interest many to know that the first committee set up by the Board of Trade to study gift coupons and trading stamps as applied to the United Kingdom was as far back as 1933.

CITY NOTES

IF the Gallup Poll were to be applied to the stockbroking view of the equity market under current conditions the 'don't knows' would have a working majority over the bulls and bears combined.

Immediately after the Queen's Speech it was agreed that its contents had been 'fairly well discounted', which meant that there was nothing in the speech that had not already been forecast. That, naturally, left the stock-market exactly where it was before the event – waiting for Government action and detail of action rather than for the outline of Government plans and programmes. Until the outline is filled in the stock-market will stay in a 'don't know' state.

RATES AND PRICES

Closing prices, Wednesday, November 4th, 1964

Tax Reserve Certificates: interest rate 19.3.64 2¾%

Bank Rate

July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%

Treasury Bills

Aug. 28	£4 13*s*	1·47*d*%	Oct. 2	£4 13*s*	0·44*d*%
Sept. 4	£4 13*s*	1·26*d*%	Oct. 9	£4 13*s*	0·96*d*%
Sept. 11	£4 13*s*	0·57*d*%	Oct. 16	£4 14*s*	0·69*d*%
Sept. 18	£4 13*s*	0·70*d*%	Oct. 23	£4 14*s*	5·44*d*%
Sept. 25	£4 13*s*	0·80*d*%	Oct. 30	£4 13*s*	11·61*d*%

Money Rates

Day to day	3⅜–4⅝%	*Bank Bills*	
7 days	3¼–4½%	2 months	4⅞–4 15/16%
Fine Trade Bills		3 months	4⅞–4 15/16%
3 months	5¾–6¼%	4 months	4⅞–4 15/16%
4 months	5¾–6¼%	6 months	4 15/16–5%
6 months	6–7%		

Foreign Exchanges

New York	2·78 15/32	Frankfurt	11·07⅝
Montreal	2·99 13/32	Milan	1740
Amsterdam	10·01⅞	Oslo	19·95¼
Brussels	138·18½	Paris	13·64¾
Copenhagen	19·29⅞	Zürich	12·01⅞

Gilt-edged

Consols 4%	65⅛	Funding 3% 59–69	90 7/16
Consols 2½%	41½	Savings 3% 60–70	87 3/16
Conversion 6% 1972	103 3/16	Savings 3% 65–75	77 11/16
Conversion 5¼% 1974	98 3/16	Savings 2½% 64–67	93 9/32
Conversion 5% 1971	97⅞	Treas'ry 5½% 2008–12	90⅞
Conversion 3½% 1969	91 19/32	Treasury 5% 86–89	86 13/16
Conversion 3½%	56⅞	Treasury 3½% 77–80	76¾
Funding 5½% 82–84	95⅝	Treasury 3½% 79–81	75½
Funding 4% 60–90	92 9/16	Treasury 2½%	41
Funding 3½% 99–04	64⅞	Victory 4%	97⅝
Funding 3% 66–68	91 5/32	War Loan 3½%	56⅜

Practitioners' Forum

STATISTICAL SAMPLING IN PRACTICE

WHILE there are many practitioners who have never seriously considered using statistical sampling methods for audit purposes, they are hardly to be blamed when most literature on the subject is so full of unfamiliar terms and mathematical equations which, as yet, anyway, are not covered in the education and training of accountants. Certainly, some attempt has been made to initiate accountants into the mysteries of sampling methods (e.g. 'Statistical sampling in auditing', by J. M. Samuels, B.COM., A.A.C.C.A. (*The Accountant*, June 22nd, 1963) or 'Estimation Sampling', by D. J. Russell (*The Chartered Accountant in Australia*, May 1963)), but by and large it must be admitted that little growth can be observed in the practical use of sampling as an auditing tool.

Many will admit that in theory such a system provides a more scientific basis for the application of audit tests than the haphazard and unscientific reliance upon an auditor's own instinct, however experienced he may be; where, however, the practitioner often quarrels, is with the basic concept that sampling techniques involve the toleration of some level of clerical error. Furthermore, being unsure of his own ability to master a new science, he feels doubtful of its efficient and efficacious operation by his staff.

The Acceptable Quality Level

Historically, auditing has become a somewhat precise art and there is a temptation to maintain that perfection is the quality to be aimed at. If one is honest, however, one knows this to be less than true. Practitioners do tolerate imperfection, provided that it does not (*a*) lead to opportunities for fraud, or (*b*) produce false results. The great virtue of the experienced practitioner is that he has developed a sense of perspective. In the Companies Act, the accent on what is specifically to be mentioned in company accounts is always on what is 'material'.

This brings us to the second point: sampling techniques cannot be applied 'in a vacuum'. It is in fixing the error which may be tolerated, by arriving at the acceptable quality level, that the auditor uses his skill and experience, his personal observation and judgement. Sampling, in other words, is not a magic formula to be used for all purposes on a fixed common basis, but requires discretion.

One of the auditor's difficulties is to convince his client, if necessary, that his skilled examination of a system, or a section of it, has shown it to be deficient in some respect. And it is quite possible that the user of statistical sampling may find that although his tests are far more scientific, for an adequate sample need only comprise a relatively small number out of a great number of entries (because statistics prove that a small test is sufficient to reveal the state of the whole), his client remains unconvinced even where several subsequent tests are made to substantiate the claims of the first.

Estimation Sampling

This is the point at which estimation sampling must be brought into play to add to the acceptance sampling results already described. Its purpose is to establish demonstrably the validity of the results obtained from acceptance sampling and the scientific basis on which the A.Q.L. (acceptable quality level) has been fixed. It enables the auditor, instead of saying to his client 'Our sampling of your records indicates an error of over 2 per cent which we regard as unsatisfactory', to say 'Our sampling of your records indicates an error of over 2 per cent, and you will see from the calculations we have made on the basis of our samples, applying standard tables of error rates, that this represents between 1·75 per cent and 2·75 per cent error over the whole field of the work done. Translated into monetary terms it indicates that customers' accounts are being wrongly charged to that extent', and so on.

It must sometimes be remembered that the side-effects of clerical error are more important than the errors themselves, and that inefficiency in clerical work may be more irritating and wasteful in the case of originating records which are destroyed than in permanent, retained records. Depth auditing, allied to the use of statistical techniques, can prove the best possible combination in this context.

Programme for Sampling

The following may serve as a useful 'outline programme' for auditing clerical accuracy:

(1) Select the 'acceptable quality level' for particular job.

(2) First acceptance sample:
- (*a*) determine extent of first sample;
- (*b*) select random numbers from suitable table until sample extent covered;
- (*c*) apply random numbers and examine sample;
- (*d*) compare sample errors with A.Q.L.;
- (*e*) if first sample shows unforeseen results, proceed to second acceptance sample.

(3) Second acceptance sample:

Proceed as in (2) above, possibly varying

test by applying cluster sample to point where samples indicate error at greatest.

(4) If samples obtained show similar patterns under (2) and (3), apply error percentage to whole population field by means of estimation sampling, thus showing maximum and minimum error.

(5) State conclusions to be reported to client.

It may well be that time saved on the checking of clerical errors by using these methods will be most valuable in system checking, though the close relationship of bad systems and clerical inaccuracies should not be overlooked or forgotten.

(It need hardly be said that a short article such as this is not intended as a guide to statistical sampling; it is merely yet another reminder of the modern techniques of which the practitioner in this day and age must take account; if he does not – someone else will.)

EXTENDED TRIAL BALANCES

On the subject of 'extended trial balances' (*The Accountant*, July 18th and August 22nd issues), another reader has written to inform us that it is the habit in his office to use this method for the preparation of accounts, but to modify the extended columns so as to eliminate shillings and pence. This, of course, means that at the end of each page there is a small difference which can be separately extended as 'suspense' in a special debit or credit column, and the sum of such expense items will cancel each other. It is claimed that this method substantially reduced the time taken in the production of accounts.

Correspondence

The Editor does not necessarily agree with, or hold himself responsible for the opinions expressed.

The Accountant in Management Accountancy

SIR, – I am once more compelled to ask 'Who is a management consultant'? We have two institutes, namely, The Institute of Management Consultants and The Institute of Chartered Accountants in England and Wales, whose members claim to provide management consultancy services. Which members have the better claim?

The Chartered Institute has traditionally provided services relating to their clients' needs for advice on taxation, trusts, formation of companies, bankruptcy, executorships, partnerships, etc., and have fulfilled their statutory obligations as auditors; more recently they have added the field of management accountancy to the list of their services, which heading covers systems analysis, office procedures, mechanization of office procedures, organization of management, installation of costing systems, etc.

The Institute of Management Consultants provides services covering time study, method study, factory planning and layout, mechanical handling, plant maintenance, production control, quality control, sales organization, sales incentives, staff recruitment, to name but a few of the better known fields of activity. Furthermore, since they employ qualified accountants, they are able to offer the management accountancy services provided by the larger firms of accountants.

In spite of the different services provided by the members of the two institutes there seems to be a willingness amongst accountants to accept that management accountancy is synonymous with management consultancy. This belief is given some official backing in the recent 'Statement on professional conduct' issued by the Chartered Institute, when in paragraph 3, section (v) they accept, by implication, that the normal practice of public accountants may be expected to include both management accountancy and management consultancy services.

It would seem that the staff employed by management consultants need a broader experience of business matters than is usually possessed by accountants; this point was kindly but firmly made by Mr O. R. J. Lee in his letter published in *The Accountant* dated October 10th.

In order to avoid further misunderstandings should not accountants refrain from using the expression 'management consultancy' when describing their activities?

Yours faithfully,

Witney, Oxon. J. W. L. NICHOLS, F.C.A.

Informative Accounts?

SIR, – Some years ago, I was one of a dozen chartered accountants who were concerned at various stages with the annual accounts of a major public company. At that time we abandoned a traditional layout which did little more than satisfy the law, and radically re-drafted the whole presentation to the best of our collective professional ability, so that the end-product might be more readily intelligible to laymen.

In due course, the Press reported that 'the profit for the year was £ . . .': and here followed variously the gross profit, the net profit before taxation, the net profit after taxation – in some cases of the parent company alone and in others of the group which it headed. One most-respected London daily quoted various figures from the parent company's own accounts, and then concluded with the group consolidated figure for future capital commitments.

The final blow was a most courteous letter from a

gentleman who inquired why the charge for taxation appeared as £x, whereas the product of the net profit at 8*s* 6*d* (as it then was) yielded £y.

Without speculating upon the widespread redundancy amongst readers of this journal if the assessment of income tax should ever become a matter of levying the standard rate upon the profit as shown by the taxpayer's own books, I have never ceased to be horrified that the author of that letter held the degrees of B.Sc.(Econ.) and Ph.D. from London University, and had some standing as a lecturer to the trade union movement.

Yours faithfully,

M. BARRADELL, LL.B., F.C.A.

Pinner, Middx.

Computer Input Systems

SIR, – It was most interesting to read Mr H. Washbrook's article on 'Computer input systems' (October 17th issue). However, it does appear that he has omitted a very serious section of computer input in the form of data collection. This system is the most advanced means of input, as it provides a system of input which captures the data in machine language at source, without the problems, such as verification, time lag, etc., with which conventional punching equipment is burdened.

As this type of equipment is essentially a real-time system, being worked on- or off-line to the computer, it is more important from an audit point of view in that seldom is a hard copy record produced at the input stage. I would be interested to hear Mr Washbrook's comments on this type of equipment.

Yours faithfully,

Macclesfield, Cheshire. JOHN WATT, A.C.A.

[Mr Washbrook writes: I have read Mr Watt's comments with interest, but I feel that 'data collection' is only a name that has come to be applied to a particular form of input equipment, such as some form of 'keying-in' device on a production shop floor for signalling back to a computer the progress of particular jobs by specified employees. In such applications it can be very useful, but I feel that to refer to such equipment to the exclusion of others as data collection distorts the picture. The segregation does not seem to be proper, because all forms of computer equipment could be regarded as data collection equipment in the general sense.

The use of data collection equipment in the narrow sense is referred to by me in section (*e*) of my article (although not by name for the above reason), where I speak of Telex or similar input equipment connected directly to a computer. Such equipment may be located in the next room, as suggested in my article, for a particular application, or indeed in any location ranging from hundreds of yards to hundreds of miles from the computer. (I have, in fact, used such equipment trans-Atlantic to America.)

I feel that Mr Watt is somewhat bold to refer to data collection equipment as the most advanced means of input, as the whole theme of my article is that what is the most advanced form of input depends very much upon the application.

Mr Watt speaks of the problems of verification with which conventional punching equipment is burdened and seems to imply that the absence of verification is a virtue of data collection equipment in the narrow sense. The fact is that the sort of data collection equipment to which Mr Watt refers does not permit verification in the normal sense to take place and, far from being a virtue, this is a serious disability implicit in the use of such equipment. It renders any variable input from such equipment particularly error prone. So much so that most systems attempt to reduce the error possibilities by having such devices as pre-punched cards giving static information, e.g. an employee's clock number and works order number. Such cards are then fed into a special 'slot' of the equipment at the same time as, say, keying or dialling variable information such as 'quantity produced'. The keyed-in information is often capable of being set up and visibly checked before transmission to increase the chances of the detection of error.

Errors nevertheless occur relatively frequently, particularly if the operator is doing this work as an incidental to his main job, perhaps as a works foreman. In general such arrangements would not be 'acceptable' for accounting systems, although useful for such functions as production control, and this is an additional reason for my reference to a more likely type of data collection equipment for accountants, namely Telex machines geared to an elaborate system of internal computer check, coupled with a hard copy, capable of audit, at the point of input.]

Elastic-sided Boots

SIR, – In Chapter 244 of his serialized and very interesting autobiography 'This is My Life', your correspondent 'An Industrious Accountant' refers to one of Ian Hay's books in which elastic-sided boots are mentioned. It would appear that in 1911 wearers of elastic-sided boots were considered to be rather unpleasant people. The almost complete disappearance of this type of footwear was probably hastened by the 1914–18 war, with its emphasis on army boots – with laces.

For many years after the war elastic-sided boots were just a music-hall joke, associated with aged and eccentric spinsters. To those of us who heard those jokes thirty or forty years ago it seemed as if the 'elastics' were being killed for good by ridicule. In the same way, the spotting game of 'Beaver' caused many wearers of beards to shave them off for fear of ridicule.

After more than fifty years, however, men's footwear with elastic is once more respectable. In a recent magazine article dealing with men's fashions we read that 'the well-dressed young man of today wears narrow trousers without turn-ups and elastic-sided boots'. This description might well fit the modern young (bearded?) chartered accountant.

Yours faithfully,

G. PEMBER,

Principal,

London E6. EAST HAM TECHNICAL COLLEGE.

Civic Service and Student Training

PRESIDENT'S COMMENTS AT BRISTOL DINNER

The part the accountant can take in civic service was a subject touched upon by Mr W. G. Densem, F.C.A., President of The Institute of Chartered Accountants in England and Wales, at the annual dinner of The Bristol and West of England Society of Chartered Accountants held at the Grand Hotel, Bristol, on October 29th.

Commenting on the absence, because of illness, of the Lord Mayor of Bristol (Councillor Kenelm Dalby, D.S.O., O.B.E., F.C.A.,) Mr Densem referred to the fact that the Lord Mayor was a member of the Institute and was a person who had built up the image of the chartered accountant in that he had managed to find time to devote himself to civic activities.

There were many fields of civic affairs to which members of the Institute could devote themselves, Mr Densem added. 'It is a duty to the community which we as members of the Institute should apply ourselves.'

'I do feel', went on Mr Densem, 'we are rather inclined to think the only thing that matters is the client's chargeable time. We should endeavour to so organize our lives as to find time for community service. And if you are in community service you may in time find yourself taking part in civic service.'

Education for the Profession

Mr Densem then turned to education matters within the Institute. The Education Committee, he said, devoted an enormous amount of time and energy to the problem of helping articled clerks in their training.

In Bristol, there was a very good education service available to accountancy students. This was important, but if one talked to students they asked: 'Why isn't the same facility available all over the country?' The answer is', said Mr Densem, 'that in Bristol you may have a somewhat enlightened authority – but the educational authorities in many other parts of the country are not so enlightened.'

To get some national system of lectures and courses was very difficult, but the Institute was working hard on it so that it would be possible for articled clerks to have the benefit of at least preparatory courses. 'And I appeal to all principals', the President added, 'to give their articled clerks time off to come to these preparatory courses, if we have been able to organize them within the areas in which your articled clerks work.'

Mr Densem said he appreciated that in district societies such as Bristol, which covered a very wide area, courses could not be provided everywhere, but 'where you can get them will you please enable your articled clerks to go to them.'

Mr Densem then referred to papers and statements issued by the Institute and said that a lot of money was spent in sending members information of possible interest. Half of it might not be important, but the other half was. 'For goodness sake', said the President, 'don't throw it in the wastepaper basket. Do read it'.

He also advised members to consult their handbook more often. A great many of the inquiries made of the Institute brought the answer 'look at the handbook'.

'I do suggest,' he said, 'that if something crops up and you wonder what you should do, before you write to the Institute look in the index of the handbook.' A perfectly reasonable, straightforward answer would probably be found.

Earlier, proposing the toast of the Institute – the toast to which Mr Densem replied – Lord Strathcona and Mount Royal, chairman of a number of Bristol engineering companies, commented on the training of accountants.

'We expect you to go through an arduous training,' he said. 'I hope I shall not be speaking too much out of turn if I wonder sometimes whether there aren't possible dangers in the kind of treadmill you submit yourself to before you launch yourselves into your very important profession.'

A problem he thought would crop up in an accountant's life was that 'due to this arduous training you sometimes lose contact with the "man doing the job".'

'I don't know whether this is a fair criticism, but it is one, I think, you are going to answer increasingly as time goes on.' Lord Strathcona went on to say that another criticism levelled against accountants was 'that you have restricted your field of activities too much'.

'This ought to be something you should jump on. But you have, in fact, limited the field in which you operate to an extent some of us feel regrettable at times.' Accountants, he said, spent a lot of time in auditing and dealing with tax matters.

'I would like to ask your President to consider very seriously that you should devote more attention to moving the training of the members of your Institute towards assisting us ignorant, practical men – to give us more assistance in the field of management accounting.

'I think it would help to get over the problem of contact with the people who "do the job" and I think it would increase the sphere of activity you would cover.'

Accounts and Taxation

Answering Lord Strathcona, Mr Densem said that reference had been made to tax. Surely, he said, the accountant still had a great part in saying that accounts as produced were true and fair and the sort of accounts that could be put to the Inspector of Taxes.

'I think the accountant still has a very important part to play in industry in this country – to see that those people who are sufficiently clever to make a profit in these hard times don't pay more tax than they need to.'

Commenting on service to management, Mr Densem said that the Institute had 'long recognized that there are these aspects to accounting practice; and that clients can be assisted with advice on how they should run their business'.

Accountants had clients in many businesses, and

'I quite agree it is a fair comment that up to now we have possibly rather neglected this aspect of things.

'But if you have a sensible client, and you are really on your toes and know what you are doing, you can assist your client; and he is perfectly willing to accept your advice until you get into very complicated matters. The accountant can be very helpful, but it is entirely wrong, as I see the accountant, to try to advise on engineering and like problems'.

The toast of 'The City and County of Bristol' was proposed by Mr A. R. Boucher, O.B.E., chairman of Courage (Western) Ltd, and a director of Courage, Barclay and Simonds Ltd. The Deputy Lord Mayor of Bristol, Alderman Mrs Florence M. Brown, responded.

The toast of 'Our Guests' was proposed by Mr Philip K. Pitt, F.C.A., President of The Bristol and West of England Society of Chartered Accountants. Mr L. J. Fryer, LL.B., President of the Bristol Incorporated Law Society, replied.

Management Accounting and Computers

Annual Dinner of Scottish Chartered Accountants in London

Recent rapid developments in management accounting and computers had 'created gaps' in the experience of many accountants; post-qualifying studies for accountants had thus become more important than ever before.

This was one of the main points made by Mr J. W. Dallachy, M.A., C.A., President of The Institute of Chartered Accountants of Scotland, speaking last Monday night at the annual dinner of the Association of Scottish Chartered Accountants in London. Nearly five hundred members and guests of the Institute attended the dinner, which was held at the Savoy Hotel.

Replying to the toast of 'The Institute', proposed by Sir Richard Powell, K.C.B., K.B.E., C.M.G., Permanent Secretary, Board of Trade, Mr Dallachy referred to the changing responsibilities of the profession and the adjustments which would have to be made to meet them.

The accountant had still to bring to his duties a professional outlook, an inquiring mind, and an independent attitude, as well as his basic knowledge of accounts. However, further emphasis was now being given to management services and the new accounting and administrative techniques which had been developed.

The Institute, for instance, might introduce a paper on computers into its qualifying examinations and thereby ensure that in the future Institute members were equipped to deal with their new problems. The rapid developments in management accounting and computers had created gaps in the experience of many accountants. They could not benefit by any adjustments in the qualifying examinations, and so post-qualifying studies had assumed a vital importance.

Mr Dallachy referred to the summer schools organized by the Institute, and the courses on specialized subjects. Part-time evening courses were being held in Edinburgh and Glasgow, and residential courses were being provided for members living in outlying areas who could not easily reach the main centres.

Courses on electronic data processing had been arranged since 1959 and instruction in computer programming and its significance for the accountant was being given in five main centres.

In proposing the toast, Sir Richard spoke of his long and friendly association with the chairman of the evening, Mr W. K. M. Slimmings, C.B.E., C.A., Convener, London Local Committee.

As most members would know, he said, the Board of Trade had an advisory committee consisting of business men and other men of affairs who advised the Board on grants and loans to firms setting up in the development areas. Since Mr Slimmings had taken over chairmanship of this committee seven years ago, the Board had disbursed more than £60 million to firms in development districts.

The function of the accountant had been progressively widening over the past few years, said Sir Richard. The man who used to be thought of primarily as an auditor and a checker of financial regularity had in recent years become a spur to the efficiency of management and a director of the attention of management to essential points.

This role was becoming increasingly important as the need to export and the concomitant need to be cost-conscious became matters of vital concern. Sir Richard said that it was often claimed that British industry was very inefficient, but he could not feel that an industry which exported £12 million worth of goods every day was so very inefficient.

Although it was not right to pin every trade failure on the lack of competitiveness, if price was the only factor considered in this context, a keen price was still a basic requirement in selling. Quality and suitability remained of prime importance but, by and large, cost was the vital factor. And it was here, by exercising his special skills and meeting his responsibilities, that the accountant could play an enormously effective role.

Speaking generally about overseas trade, Sir Richard said that it was perhaps in selling that British industry could be said to be lacking in certain respects compared with its rivals. There was a particular need for more technical salesmen.

Proposing the toast of 'The Guests', Mr Slimmings said he was quite overwhelmed by the kind remarks about him made by Sir Richard. As chairman of the advisory committee referred to he was more accustomed to brickbats than bouquets!

The Rev. Dr J. Fraser McLuskey, Minister of St Columba's, Church of Scotland, replied on behalf of the guests.

Pipers of the London Scottish led members and their guests into dinner, and there were the traditional address to the haggis and final singing of 'Auld Lang Syne'.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

TECHNICAL ADVISORY COMMITTEE

The one hundred and thirty-sixth meeting of the Technical Advisory Committee was held in the Council Chamber at City House, 56/66 Goswell Road, London EC1, on Thursday, October 22nd, at 2.15 p.m. There were present:

Mr S. Kitchen (in the chair); Messrs F. W. Allaway, G. L. Aspell, T.D., D. G. Bee, R. P. Brown, K. A. Buxton, P. J. Cavanna, K. P. Chapman, D.S.C., M. A. Charlton, D. A. Clarke, L. H. Clark, S. Edgcumbe, N. Cassleton Elliott, A. R. English, R. W. Foad, C. R. P. Goodwin, K. J. Hilton, A. P. Hughes, G. N. Hunter, H. Kirton, T.D., A. G. Martin, G. M. Metcalf, D. S. Morpeth, F. L. Moulding, D. Napper, E. J. Newman, E. R. Nicholson, R. D. Pearce, J. Perfect, A. L. Pitman, T. B. Pritchard, D. W. Pursglove, D. W. Robertson, B. G. Rose, H. G. Sergeant, H. C. Shaw, W. Shuttleworth, H. G. Smith, C. C. Taylor, G. Thompson, A. H. Walton and J. A. P. Whinney, with Mr G. A. Slator, Acting Secretary to the Committee. Messrs J. Cartner, R. A. Haigh, J. F. Taylor and W. W. Ward attended by invitation.

Address by the President of the Institute

The Chairman welcomed the President of the Institute, Mr W. Guy Densem, F.C.A., who had kindly agreed to attend the opening of the meeting. In the course of his reply the President said:

On the occasion of your first meeting of this session, I am glad you have maintained the very pleasant custom of inviting the President to join you for lunch and giving him the pleasure of speaking to you briefly before you start on your year's work. I particularly welcome this opportunity as I can congratulate you on your wisdom in choosing Mr Stanley Kitchen as your chairman. It has been my good fortune to have known Mr Kitchen for many years and learned to appreciate his many virtues, among which I rate highly his ability to do much good work cheerfully and manage to make everyone believe he enjoys it. I wish him a happy and successful year in office. You are to be commended too on your choice of Mr Robertson as vice-chairman. I would also, on behalf of the Council, thank Mr Shaw, your immediate past chairman, for his valuable services to this committee and to the Institute.

Even before it attained its majority, this Committee changed its name at least once, and during last year there was another change to its present title – Technical Advisory Committee. Whilst your name may have got slightly shorter and more concise, I have not noticed – nor do I foresee – any reduction in your activities or in the volume of work you undertake.

Many members of our Institute who have not been concerned with the work done in this Committee often fail to realize how time-consuming is the thought and care put into the reports and statements originating from this Committee. As a member of this Committee for seven years, from 1950–57, and later as a member of the Parliamentary and Law Committee, I have participated in and fully appreciate the hard work involved and value the care and effort devoted to the preparation of documents for ultimate issue to our members.

Equally important and requiring equal care, but receiving far less publicity, are the many memoranda prepared through your sub-committees on taxation matters and on a wide range of technical subjects. These memoranda form the basis upon which representations can be made to the Chancellor, the Revenue Authorities or in appropriate cases to other Government departments on matters vital to our profession. The existence of this Committee and the composition of its membership enables the Council to draw upon the knowledge and experience of members from all parts of the country and with many and varied interests not only in professional practice but in commerce and industry.

This is extremely important as our profession is continuously developing and advancing. For example, members of this Committee did much to ensure the success of the E.D.P. courses which have already been held and they will play their part in those planned for the future.

The Council rightly regards research activities as important and necessary. Research, however, sometimes requires an evaluation of existing practices and conventions. Clarification of thought on such matters is often valuable not only to our members and to our profession but also to many others concerned with or interested in accounting statements and procedures. Your Committee and others have devoted much valuable time and effort to two documents which will be published shortly. These will be known to you as I refer to a recommendation on accounting principles, hire-purchase, credit sale and rental transactions and the statement on auditing on internal control.

You presently have eighteen active sub-committees indicating that much work remains on hand; doubtless many other matters will be referred to you. I am sure you will have an interesting and rewarding year even

if it is a trifle strenuous. I know that you will find it enjoyable and satisfactory, and I wish you every success.

Membership

The Chairman extended a warm welcome to the following new members of the committee.

Mr P. J. Cavanna (Co-opted).
Mr M. A. Charlton (Council nominee).
Mr D. A. Clarke (Council nominee, member of the Council and previously a member of the Committee from 1949–57).
Mr D. Napper (London).
Mr E. R. Nicholson (Co-opted).
Mr A. H. Walton (Council nominee and member of the Council).

It was reported that the following members had retired from the committee and that letters of appreciation for their services had been sent to them.

Mr J. Cartner (Co-opted).
Mr S. R. Harding (Co-opted).
Mr J. S. F. Hill (Nottingham).
Mr J. W. Margetts (Council nominee).
Mr E. C. Sayers (Co-opted).
Mr D. C. Urry (London).
Mr J. G. Vaughan (Council nominee).
Mr S. P. Wilkins (Council nominee).

Sub-Committees

Reports of progress were received in connection with twenty-two matters.

Future Meetings

The next meeting of the committee was fixed for Thursday, December 17th, 1964, and further meetings have provisionally been arranged for:

Thursday, February 25th, 1965.
" April 22nd, 1965.
" June 24th, 1965.
" September 23rd, 1965.
" October 28th, 1965
" December 9th, 1965.

Notes and Notices

PROFESSIONAL NOTICES

Mr Frederick Arthur Gommer, F.A.C.C.A., of Gloucester Mansions, Cambridge Circus, London WC2, announces that he has taken into partnership Mr Donald Bewes Molyneux-Berry, A.C.A., and Mr James Anthony Heaford, A.C.A., of Messrs Edward Myers, Clark, Eckersley & Co, Chartered Accountants, of Awdry House, 11 Kingsway, London WC2, as from November 1st, 1964. The style of the practice will remain as Frederick Arthur & Co.

Messrs N. Harris & Co, Incorporated Accountants, announce that as from November 12th, they are transferring their main office to Jaybee House, 155–157a Clapham High Street, London SW4, telephone Macaulay 0181–2. The premises at 117 Balham High Road, London SW12, are being retained as a branch office.

Messrs Lloyd & Goodrich, Certified Accountants, announce that their address is now Princes House, 17 High Street, Aldershot. The telephone number is unchanged.

Messrs Pearce, Clayton & Maunder, Chartered Accountants, announce that Mr J. Harvard Maunder, F.C.A., retired from the partnership on November 5th, but remains available for consultation. The practice will be carried on by the remaining partners under the same name, but will move to National Provincial Bank Chambers, Dorchester, on November 9th, 1964.

Messrs Peat, Marwick, Mitchell & Co, announce that Mr D. G. Sherriff retired from the Hong Kong partnership on October 31st, 1964.

Mr J. C. Watson, F.C.A., announces that he has taken into partnership as from November 1st, 1964, Mr R. W. Johnson, A.C.A., who has been associated with him for some years. The name of the firm will now be J. C. Watson & Co.

Appointments

Mr K. A. Bridgman, F.C.A., secretary of Rentokil group, has been appointed to the board.

Mr Peter Ewen, F.C.A., has joined the board of Ready Mixed Concrete (United Kingdom) Ltd.

Mr Michael Kenneth Holloway, F.C.A., has been appointed to the board of Church of England Building Society, with effect from November 2nd. Mr Holloway is managing director of Holloway Properties Ltd.

Mr Howard Jones, A.A.C.C.A., has been appointed director of finance, Europe, with the Crucible Steel Company of America.

Mr J. L. A. Ormiston, M.A., F.C.A., has been appointed secretary of the Davies Investments Ltd group of banking, construction and property companies.

Mr A. J. Tomsett, B.COM., F.C.A., deputy chief accountant of British Transport Docks Board, has been appointed chief accountant to succeed Mr W. J. Nicholls, F.S.A.A., who has retired.

LOK KAWI RUBBER LTD

Mr Thomas William Chalk, A.C.A., of Hillgate House, 35 Old Bailey, London EC4, has been appointed by the Board of Trade under section 165 (*b*) of the Companies Act, 1948, to act as Inspector to investigate the affairs of Lok Kawi Rubber Ltd.

DOUBLE TAXATION CONVENTION

United Kingdom and Sweden

A revised Double Taxation Convention relating to duties on the estates of deceased persons, to replace the Convention signed on July 28th, 1960, was signed in Stockholm on October 14th. The Convention is subject to ratification. Its full text will be published shortly by H.M. Stationery Office.

SUPERANNUATION FUNDS OFFICE, INLAND REVENUE

As from Monday next, the Department's work in connection with superannuation funds and other retirement benefit schemes will be undertaken by the Superannuation Funds Office, Inland Revenue.

Correspondence should be addressed to: The Controller, Superannuation Funds Office, Inland Revenue, 42/46 Weston Street, London SE1. The telephone number of the new office will be HOP 4411.

OFFICES, SHOPS AND RAILWAY PREMISES ACT, 1963

First-Aid Requirements

Premises covered by the Offices, Shops and Railway Premises Act, 1963, must, under the First Aid Order (S.I. 1964 No. 970), provide a first-aid box or boxes as from December 1st, 1964. The required contents vary according to the kind of establishment and the numbers employed. The Order also prescribes the conditions which a person is required to comply with before he is deemed to be trained in first-aid treatment. Details are given in the Order, and also in a supplement which is available free of charge on completion of the form provided in the general guide to the Act which is obtainable from H.M. Stationery Office, price 2*s* 6*d* – by post 2*s* 10*d*.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Members' Library

The second cumulative supplement to the August 1963 *Short List* of books in the library of the Institute has now been issued. Copies of the list, which contains additions to August 1964, are available to members, free and post free, from the librarian upon receipt of an addressed label.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

Luncheon Meeting

The first of three luncheon meetings to be held by the London and District Society of Chartered Accountants during the 1964–65 session will take place next Wednesday at the Connaught Rooms, Great Queen Street, London WC2, at 12.30 for 1 p.m.

The continuing theme of the three meetings will be 'Look at a chartered accountant', and the guest speakers will come from the non-accounting world. Next Wednesday's speaker, from industry, will be Mr Haydn Taylor, deputy chairman, General Refractories Ltd.

CITY DISCUSSION GROUP

The next meeting of the City Discussion Group of the London and District Society of Chartered Accountants will be held next Wednesday at the White Swan, Coleman Street, London EC2, at 6 for 6.30 p.m., when the subject for discussion will be 'Do baby computers have teething troubles'. Mr R. G. Dowse, F.C.A., secretary and financial controller, Dolcis Ltd, will lead the discussion.

NORTHERN SOCIETY OF CHARTERED ACCOUNTANTS

The next monthly luncheon meeting of the Northern Society of Chartered Accountants will take place on November 27th, at the County Hall, Newcastle upon Tyne, at 1 p.m. when the speaker will be Mr F. S. Dodd, chief inspector of taxes at the Newcastle Head Office.

The honorary secretary of the Society is Mr R. W. Thoburn, F.C.A., c/o Ridley & Ridley, 12 Windsor Terrace, Newcastle upon Tyne.

SIR JAMES MARTIN LODGE

Installation Meeting

The Installation Meeting of the Sir James Martin Lodge (formerly The Incorporated Accountants' Lodge) was held on October 27th, at Freemasons Hall, Great Queen Street, London WC2, when The Worshipful Master, W. Bro. L. J. Jones, installed his successor, Bro. E. J. Morris.

W. Bro. E. J. Morris appointed and invested the following officers for 1964–65:

Bro. A. B. Sturgess, S.W.; W. Bro. E. Downward, J.W.; W. Bro. C. V. Best, *Treasurer*; W. Bro. E. B. Trimmer, *Secretary*; W. Bro. A. V. Hussey, D.C.; Bro. H. N. Piper, S.D.; Bro. J. Ager, J.D.; W. Bro. F. R. Marshall, A.D.C.; W. Bro. J. C. Chaumeton, *Almoner*; W. Bro. G. J. Hakim, *Organist*; Bro. S. Ward, I.G.; Bro. W. E. Adams; W. Bro. F. R. Witty; Bro. P. G. Godfrey and Bro. J. Owen, *Stewards*; W. Bro. A. C. Chitty, *Tyler*.

The address of the secretary of the Lodge is 171 Petts Wood, Orpington, Kent.

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE

ACCOUNTANT

ESTABLISHED 1874

NOVEMBER 14TH, 1964 VOL. CLI. NO. 4691

CONTENTS

Autumnal Budget

WHILE the prospect of substantially increased welfare benefits (albeit somewhat deferred owing to administrative considerations) will gladden the hearts of a considerable section of the population, much of the rest of Mr CALLAGHAN's address provided cold comfort for the majority of taxpayers. Nevertheless, his proposals should not be assessed from the viewpoint of the individual citizen but rather in the light of the needs of the economy.

Mr CALLAGHAN opened by emphasizing that the object of his proposals was to strengthen the economy and thus enable it to meet its current difficulties. In so far as none of his proposals has any direct effect in increasing exports and some will have the result of raising industrial costs, it can be argued that his hopes are hardly likely to be fulfilled. For example, the increased contributions from employers in respect of the National Insurance contributions will automatically be passed on in higher prices. The oft-heard argument that they may induce a more economic utilization of labour is dubious since, in the first place, the charge is still insufficient to impel employers to take such action, and secondly, the effective utilization of labour is not determined solely by technological considerations or employers' requirements, but more often by trade union practices.

The higher insurance contribution from employees can be justified on the score that the bulk of disposable incomes is in the hands of the employed population and thus is no more than a modest increase in direct taxation. Unfortunately, this particular impost has long been a regressive charge and, while administrative considerations may make it difficult to change it into a fully graduated tax, there seems no reason at all for adding to the burden of the lower paid workers.

There is, however, considerably more justification for the additional 6*d* on the current petroleum and diesel duties. Private motoring is becoming increasingly popular among all sections of the working population and no one can seriously suggest that the additional tax is either unreasonable or harsh. In the current financial year Mr CALLAGHAN expects to collect £32 million from this charge and in the coming financial year it should yield £93 million; it could well be more. This should also help mop up a little of the surplus consumer expenditure which is helping to maintain the inflationary pressure. In so far as it will lead to higher transport costs of both goods and persons the tax may be regretted, but some shift of goods transport from road to rail is desirable on social if not on economic grounds. While THE

CHANCELLOR promised early discussions with representatives of passenger transport undertakings with a view to finding some relief, it will be difficult to resist any claims by these bodies for an early increase in fares.

Perhaps the most unexpected proposal – certainly it is the most unpalatable for many taxpayers – concerned the prospective increase in the standard rate of income tax which, in the coming financial year, will yield £122 million. The timing of the proposal, since the increased charge will not, and in any case, could hardly take effect until next year, may have rather more to do with political considerations than with economic. In so far as the increase will have virtually no effect on the wage earner or salaried staff earning less than £20 per week or about £1,000 p.a. this part of the electorate will be unmoved by it. On the other hand, it will undoubtedly have some effect on the electors in the marginal constituencies, many of whose incomes will come into the scope of the new charge and who, incidentally, in the majority of households, are car-owners. It will not have any significant effect in reducing the demand for resources in the immediate future but by announcing it now, Mr CALLAGHAN presumably hopes to saddle the Opposition with responsibility for the charge and the electoral opprobrium that is likely to go with it.

The increases in welfare benefits, more especially those which apply to widows and pensioners, are in themselves to be welcomed. The abandonment of the earnings rule in the case of widows is long overdue and for that very reason is all the more welcome. While everyone will support Mr CALLAGHAN's demands for 'social justice for the needy', not all will be convinced that the proposed flat-rate increases in pensions are the best way of meeting such need. Not every one of the six and a half million State pensioners falls into the category of 'needy'. It would have been more logical to have made the National Assistance scales still more generous than is now proposed and to have concentrated the additional benefit on those who could show real need.

One of the most striking passages in THE CHANCELLOR's speech concerned the new 15 per cent surcharge on imports. If they are to have any marked effect in reducing the volume of imports, then clearly they must remain in force for more than a few months. The apparent intention to make the surcharge effective until next November thus makes sense. It is highly unlikely that by spring next year the trade figures will show such a marked improvement that the promised review of the surcharge is likely to lead to any significant reduction. Indeed, rather more significant is the statement that they can be extended for yet another year by affirmative resolution of the House when the initial period of a year expires. Now that the probable duration of these imposts has been rather more clearly defined, it is highly probable that some of the countries affected by the charge may feel some counter-action is justified.

The implications for the April Budget of the present proposals are clear. The overall deficit for 1964–65 anticipated by Mr MAUDLING last April was £791 million; the result of the new imposts coupled with the yield from the surcharge will be to reduce it to about £400–£450 million since the proposed increases in welfare benefits do not take effect until next April. Mr CALLAGHAN was also quite specific in his intentions. The first, which was hardly unexpected, is that income tax and profits tax on company profits are to be replaced by a corporation tax. It means, in effect, that companies will have to reduce their distributions unless, of course, they are prepared to reduce the proportion of profits which they have been in the habit of retaining.

As far as can be judged the intention is that for the proposed tax on capital gains, base values will be taken as those ruling on Budget day 1965. It remains to be seen whether account will be taken of assets held for varying duration, which assets will be covered by the proposal, and what rates of tax will be applicable.

Mr CALLAGHAN propounded the argument that retained profits contribute to economic growth, although Mr KALDOR has himself pointed out that the excessive retention of profits by companies can lead to capital resources not being effectively utilized. Many of the difficulties arising from the retention of profits, e.g. capital gains and surtax avoidance, would be substantially minimized if there were more generous distributions.

One thing is certain, however, Mr CALLAGHAN's proposals to reform the United Kingdom tax system will not merely create controversy. Before embarking upon major reform it is as well to be quite clear whether social justice, as seen through Socialist eyes, or economic incentive as seen through the eyes of industry, is to prevail. These goals are not fully compatible in a free economy.

Company Income in 1963

THERE now appears to be general agreement that the pace of economic expansion in the United Kingdom has perceptibly slowed down. The gross domestic product increased by less than one-half of 1 per cent between the first two quarters this year, thus bearing out the virtually static index of industrial production which had earlier puzzled economic observers. The latest instalment in the quarterly analyses of company profits prepared by the Statistics Division of the Board of Trade and published in the *Board of Trade Journal* for November 6th, reveals that the growth in corporate profits so evident earlier this year has also levelled off.

The latest batch of published accounts shows profits 15 per cent higher than a year earlier; accounts received a year ago were showing rises of only 4 per cent, but these related to the depressed period 1960–61. The *Journal* article shows that the gross income of 1,927 companies, whose accounts were received during the first nine months of 1964, totalled £2,698 million compared with a £2,383 million earned by some sixty more companies, the accounts of which appeared during the same period of 1963. When the 1,927 accounts relating to 1963 trading are analysed by the quarters in which they were received, the change between trading conditions in 1962 and 1963 becomes still more evident. Although each quarter's figures show an improvement, the change is most marked in those companies reporting in the second quarter this year. The third quarter accounts show a perceptible drop.

A further analysis of the accounts received during the latest, i.e. third quarter of 1964, shows that of the twenty-two individual industrial groups for which separate group figures are calculated, seventeen showed increased profits compared with the previous year. Taking 1963 as a whole, every industrial group, with the exception of shipbuilding, showed higher profits, the largest increases being earned by the vehicles industry (£57 million) and chemicals industry (£48 million). A noticeable feature of the quarterly analyses was the increased rate of stockbuilding in 1963 compared with the previous year's trading. Total outlay on stocks in 1963 at £210 million was £125 million more than in 1962, with three industries – chemicals, metal manufacturing and vehicles – each showing increases of over £20 million.

In contrast with the rate of stockbuilding, expenditure on tangible fixed assets, as shown in the accounts, reflects little movement between 1962 and 1963. Those companies reporting during the third quarter this year spent £18 million more than in 1962 on acquiring subsidiaries, but against this must be set a drop of £4 million in their trade investments. The total outlays on the acquisition of subsidiaries during 1963 as a whole was £300 million, only fractionally less than the total in the preceding year. Partly in consequence of the lower rate of capital expenditure and despite the more marked growth in stocks, companies were able to increase their liquid resources and thus reduce their demands for outside finance. Only £129 million was raised in 1963 by way of loan capital compared with the £294 million raised in 1962; new share issues fell from £269 million to £225 million and bank overdrafts rose by £33 million.

In common with companies in general as illustrated in the above figures, property companies had a quiet year. An article in the same issue of the *Board of Trade Journal* examines the accounts of 110 property companies which reported in the first three quarters of 1964 and represent some 85 per cent of the activity of all quoted property companies. Their profits in 1963, although 12½ per cent higher than in the previous year, contrast with the increases of about 20 per cent recorded annually in recent years. The growth in assets reflects a similar pattern; the increase in 1963 was only 14 per cent on the previous year which compares unfavourably with rises of around 22 per cent in both 1960 and 1961.

The article notes that in 1962 each £100 of gross assets earned a return of 6·9 per cent; in the latest year 1963, this had declined slightly to 6·7 per cent. These rates of growth are well below the average rate of return on assets of

industrial companies; in 1963 these earned about 14 per cent. Some part of the difference is explained by the fact that the practice of revaluing assets to current price levels is much more common among property companies than among industrial undertakings. Furthermore, unlike many industrial undertakings, only about 10 per cent of gross income is retained by property companies either as depreciation provisions or in reserves, the balance being distributed in roughly equal proportions between interest payments, taxation and equity dividends.

With the advent of a Labour administration and the autumn Budget it seems likely that by next year the story will be even more depressing.

Accounting Heresy!

CONTRIBUTED

IN recent months there have been three significant events which, directly or indirectly, could or should influence the presentation of accounting information:

(*a*) The letter of Lord Ritchie of Dundee, Chairman of The London Stock Exchange, to the chairman of public companies, demanding more information in company reports.

(*b*) The very timely and provocative series of articles[1] in *The Accountant* by Professor W. T. Baxter, B.COM., C.A., on 'The future of the accountant', and

(*c*) The Lang Committee Report on the negotiation of Government Contracts.

Items (*a*) and (*b*) are ones with which as accountants we have been hitherto reluctant to deal. Item (*c*) is to some degree an indirect consequence of our failure to rethink accounting presentation except in terms of double entry.

Ritchie's Reveille

Lord Ritchie's somewhat peremptory demands will undoubtedly lead to a better standard of company reporting and will, according to a leading article in *The Accountant* of August 29th, provide essential information for 'enabling shareholders, investment analysts and others to form a balanced view of a company's present state and future potentialities'. It will be noted that whereas the professional auditor is required to report that the statutory accounts give *a true and fair view* of a company's affairs, it is apparently left to 'shareholders, investment analysts and others' to form *a balanced view* of a company's present state and future potentialities.

We may perhaps be a little embarrassed that Lord Ritchie has been forced to usurp the leadership which was our professional right. In general, despite some misgivings as to the consequences of publishing the additional information called for by Lord Ritchie, all public companies will eventually fall into line, to the great joy of the aforesaid financial analysts.

However, are we accountants content that financial analysts and others should be required to interpret the statutory accounts verified by the auditor, and the additional data now called for? Knowing the limitations of conventional reporting, being in possession of far more information than is ever likely to become a statutory obligation, does the industrial accountant best serve the interests of his company by leaving the interpretation of 'the state of the business and future potentialities' to someone looking in through the shop window? It seems very anomalous that the professional auditor should confine himself to reporting on so-called historical facts, which can only be true or fair on the basis of specified conventions, but which, except in the light of those conventions, may be reasonably fair but seldom true. By contrast, the financial analyst, who may well be a member of the same profession, is primarily concerned with the future and will not hesitate to express his views thereon despite the limitations placed on his scope by the absence of much essential data known or available to his professional brother.

Perhaps the real trouble is that conventional statutory and financial accounting are now totally inadequate and need a complete overhaul. There must indeed still be scope for conventional financial reporting, but unless we accept the challenge of the future and take positive steps now to tackle the basic problems at the root of con-

[1] Issues dated July 11th, 18th, 25th, and August 1st, 1964.

ventional accounting, we shall indeed be followers of, instead of leaders in, our appointed profession.

Baxter's Broadside

Professor Baxter – thank heaven a member of the accounting profession – has raised anew the problem of inflation and accounting in real money terms. Not many years ago this subject was debated on both sides of the Atlantic, and after due consideration put back into cold storage. And for why? Was it because we were afraid of something imprecise, something we could not check with a meticulous tick? If we must have conventions to give us support in our professional activity, cannot we also develop conventions for dealing with inflation?

Until we deal with this matter on a statutory accounting basis, then so long will the Revenue authorities refuse to recognize that a problem exists at all and industry will be penalized accordingly. In the meantime inflation has to be paid for out of retained profits after taxation, capital employed is understated and profits overstated, giving a completely false impression of industrial profitability. Conversely there are other factors which, whilst justified on the grounds of financial conservatism, can understate profitability in the full economic sense. If there should be any grounds for disappointment with Professor Baxter it is only that his recommendations did not go far enough.

The Balance Sheet – a Glorified Trial Balance?

Surely it is about time that we reviewed our attitude to the treatment of depreciation of fixed assets. Conventionally, in the majority of company balance sheets, we state the fixed assets at cost, less accumulated depreciation. Should we not rethink what we have intended to show and what indeed we should show? At present it is nothing more than the balance of cost not charged in arriving at profits to date. Are we right to describe depreciation as a provision or as a reserve for replacement of fixed assets, or as partly provision and partly reserve?

If the balance sheet is to mean anything at all, fixed assets should either be representative of current worth as a going concern, or, what may be preferable, as indicative of the real assets used in the generation of the profits. There is probably more justification today in showing at least the major part of the accumulated depreciation of fixed assets as 'capital' employed in the business, just as much as is the reserve for deferred taxation.

A new freehold factory building will maintain its real value for at least thirty years before any loss in efficiency occurs; indeed, due to inflation, its realizable value is more likely to increase in that period. It may well be fifty years or more before the building is no longer suitable for its original purpose, and seventy to one hundred years before its useful life has expired and it should be demolished. Despite this the majority of companies would depreciate the building annually at, say, $2\frac{1}{2}$ per cent per annum, and at the, twentieth year the factory building would be reflected in the balance sheet at 50 per cent of original cost.

In the case of plant, applying straight-line depreciation at 10 per cent per annum, do we imply that after five years it is only 50 per cent efficient and producing only 50 per cent of its original output? And how about all the fully depreciated assets still in use? These are presumably worth nothing at all, yet in many cases are good for another five or more years' output, given reasonable maintenance and overhaul. These real assets are being employed in the business in terms of capital employed. We spread the cost by straight-line method equally over the 'accounting' life of a fixed asset yet in real money terms due to inflation our so-called 'provision' is worth less each year.

What are we trying to achieve with this so-called provision for depreciation? Are we trying to get our costs and profits right, or our balance sheet right? If we charge 'depreciation' in our costs to make sure that it is properly taken account of in the determination of selling prices, then surely, having thus established our future cash flow by reason of such selling prices, can we seriously contend that our capital employed has thus been depleted? If we charge 'depreciation' against profits, merely to ensure that we set aside part of our profits for the replacement of fixed assets, then we should so recognize our intention and the fact that, until used for this purpose, the 'replacement fund' will in fact be employed in the business.

For the purpose of statutory accounting we value the stock and work in progress annually. Provided we adhere to a conventional basis, the valuation can mean anything or nothing. Even if the whole of the stock and work in progress were covered by a full order book, we can well, under direct costing principles, exclude from the valuation a substantial volume of overhead essentially incurred in selling and producing the

goods, again understating capital employed and profits. Again, on long-term production and construction contracts, the degree and timing of profit-taking varies from firm to firm even within the same industry and on identical types of contract.

Time and Emotion Studies

One of the most recent tèchniques used today by modern management in judging the profitability of alternative projects is that of discounted cash flow. Discounted cash flow deals with the profitability of a project from beginning to end without the artificial time barrier imposed by annual statutory accounts and thus, since it does not endeavour to discriminate between capital and revenue cash flow, depreciation as such is ignored. One could regard a business as being made up of a series of such projects or ventures, yet we then try, by a series of artificial conventions, to segregate the cash flow year by year between capital and revenue for the purpose of statutory and management accounting.

It is indeed interesting to note that the technique of discounted cash flow applies what is in effect a 'mortgage' technique, whereby in the early years the repayments are largely in respect of 'interest' or 'profit' and it is in the later years that repayments are mainly of capital. Thus, this scientific technique employed in deciding to introduce new projects into a business, produces a capital amortization policy *which is the complete reverse of the financial accounting convention by which we judge the success of such projects.* Does this make sense?

Given time to reflect on the doubtful validity of our accounting conventions, it would seem that, having made nonsense of profits and nonsense of capital employed, we deduce by expressing one nonsense as a percentage of the other, a return on capital employed, by which we may compare the performance of one company's index of nonsense with that of another.

No wonder we need management accountants and financial analysts to interpret statutory and other conventional financial accounts! Do we ever stop to consider why we have developed these accounting conventions? What is at the root of the problem? Why is it that every other business man will tell you that the real worth of his business is anything from double to ten times the figures shown in his balance sheet?

If the root cause of the artificial depression of profits is because of taxation, cannot we tackle the root with the Revenue authorities instead of viciously pruning financial profits? If we are afraid that the showing of truer profits would induce shareholders to demand higher dividends, cannot we so present our story that even the shareholders see the figures in their true perspective? The true investor is most certainly concerned to know the economic rate of profit generation rather than a distorted short-term view. Unfortunately many accountants carry through the accounting conventions inside the business and thus their own managements never see figures in full perspective.

Lang's Legacy – Our Responsibility?

All this is bad enough, but how about the impact on parties other than management and shareholders? Can we expect the Government to think straight unless we do, too? Arising from the Lang Committee Report the Government will perhaps wake up to the problem of the official profit factors used in the negotiation of prices for Government contracts. This again is a root problem which, had it been put right before would probably have avoided the ills revealed in the Ferranti case.

Industry has protested time and time again to the Government departments but to no avail. Can this be wondered at when industrial accounting is saddled with out-dated conventions which do not reflect the true state of affairs? Even using our present out-dated conventions the position is pathetic. The 'generous' maximum profit factor on a Government 'risk' contract is 10 per cent on 'capital employed'. Thus:

	per cent
Allowed profit	10
Less Taxation 54 per cent	5·4
	4·6
Less Interest at, say, 6 per cent less income tax	3·7
Retained profit	·9
Less Cost of inflation	2·5
Depletion of assets by undertaking a risk contract	1·6

On a 'non-risk' contract where the maximum profit factor is $7\frac{1}{2}$ per cent, the depletion of assets per annum which results from the official formula is, on the above basis, 2·75 per cent. Obviously, in the present Government and accounting climate, inflation is a dirty word and should not be recognized in official circles, any more than where the money is coming from to finance Neddy's growth target, part of which must come

from retained profits after providing for taxation and inflation.

A modest real growth rate of 5 per cent per annum out of retained profits would call for an overall profit on capital employed of about 25 per cent before tax. If this lack of perspective be at the root of the Government's present problem, should not the professional accounting bodies make a proper representation to drive the facts home, or must industry alone give the necessary leadership? The alternative could be a mass of further Governmental controls, imposed by officials who will for ever be looking over their own shoulders, i.e. when they have time to spare in overseeing antiquated costing methods integrated with equally antiquated financial accounts.

Taxation – a Government Restrictive Practice

It will be noted that many of the accounting ills from which we still suffer stem from our innate cautiousness as accountants coupled with the impact of inflation and taxation. Taxation legislation, unfortunately, has other indirect impacts which often hamper business management in carrying out organizational steps they would otherwise deem best for the business. Thus the organizational requirements of the larger industrial units demand the utmost flexibility to meet the ever-changing needs of control. This may entail hiving-off parts of the business into subsidiaries or at other times consolidating a former subsidiary's business as a division within the parent company or merging with another division.

On all of these occasions there is some particular facet of taxation which has to be studied before management can be given the go-ahead; in fact, sometimes a change of this nature has to be stopped or deferred in order to avoid additional taxation which would otherwise be payable. Section 17 and the Third Schedule of the Finance Act, 1954, affecting company reconstructions, which in some ways is permissive and in other ways penal, is perhaps typical.

Why is there no comparable section for profits tax purposes? Why is it so important in these days of multi-trade organization to discriminate between different sources of income, assess these under different tax schedules and on different bases? Why different bases for the assessment of profits tax and income tax anyway? Why deal with a holding company on a management expenses basis, and its subsidiaries as trading entities? Surely it should not be beyond the wit of man to devise a simple means by which the net United Kingdom profits of a whole organization could be dealt with at one hit, without the nice distinctions between legal entities, separate trades and different sources of income from United Kingdom sources.

Quite a substantial part of United Kingdom tax legislation and case law deals with the artificial discrimination between capital and revenue, but the Government, having syphoned-off a not inconsiderable tax on capital, does not hesitate to regard it as income. The amount of time and trouble taken by accountants and the Revenue authorities over matters such as this, screams aloud for streamlining and simple thinking to avoid this colossal waste of brain-power that would be far better employed in focusing on industrial efficiency, production and the generation of profits. Here, indeed, is a worthy job. Why not a joint team from the accounting and legal professions working out a solution and then forcing the hand of the Government to take action?

Accounting R and 3-D

After a professional and business life of close on forty years, the writer might have been forgiven for living with things as they are, and indeed, maybe he would have done, but for having observed at close quarters the numerous side effects on management and business life of existing accounting practices. If there is one lesson one learns during an accounting lifetime it is that there is no absolute truth in figures. One feels that this flat dimension of double-entry has outlived its usefulness in a 3-D age and, although accounting research and development is proceeding, both in Britain and the U.S.A., this tends to be done in isolation, rather than on a co-ordinated basis with a full recognition of cause and effect.

If there is one duty we must fulfil it is to ensure that the figures we present are capable of being viewed in full perspective. This is not happening today and it is time the accounting profession did something to eliminate the conglomeration of half-truths which we may have inherited but should not pass on to succeeding generations as estates in entail. Is it too much to pray for such dynamic leadership as will ensure that a greater proportion of our professional effort be devoted to basic accounting research?

In view of the 'burning at the stake' which many will regard as the just fate of the writer and in order that I may be spared long enough to answer for my faith, some disguise is essential. I therefore claim the cloak of anonymity as

UNREPENTANT HERETIC.

Management Education — Its Costs and Efficiency

by J. KELLY, B.Sc., Ed.B.
Lecturer in Industrial Psychology, University of Strathclyde

THE principal function of the term 'management education' appears to be that of a trigger mechanism which initiates waves of controversy wherever it is used. To those unskilled in the semantics and polemics of this discussion, 'business studies' and 'management studies' would seem to be synonymous phrases. In fact, 'management studies' is reserved for the postgraduate, while 'business studies' is considered a suitable diet for the undergraduate.

Perhaps realizing the difficulty of defining 'management education', the Robbins Report contents itself by drawing the important distinction between education for management, and 'business studies' which includes such subjects as commercial law, industrial psychology, accounting, statistics and operation analysis. These latter subjects are regarded as well developed, while 'Education for management as such, however, is a subject of considerable perplexity. . . .'

While, therefore, the term 'management education' may defy definition, it may be viewed from a number of aspects.

Traditionalism

A brilliant illustration of the national neurosis which compels our educational planners to regress into a traditional posture, when a more radical analysis of the problem involved would suggest an attitude of educational innovation, is provided by consideration of a report entitled *A Higher Award in Business Studies*, produced by a subcommittee of the National Advisory Council in Education for Industry and Commerce.

Referring to the business function, this report argues that here

> 'The activities involved tend to require a large element of judgement, "feel" and risk-bearing and to call for wider practice of the arts of communication than is necessitated in the corresponding ranks of technological employment. Hence business studies, at least in the higher levels, should have proportionately less of a technical content and more of what is drawn, ultimately, from the humanities.'

All of this, especially the return to the humanities, shows how the old 'faculty doctrine' which was tried and found wanting by educationalists, dies hard, in fact, very hard. Shaw's aphorism is still appropriate today: 'You can't learn one thing by doing another.' In particular, if you want to become an expert on writing company policy, writing memoranda or sales training, the technique of effective negotiation or interviewing management trainees, then you must do just those things. Training ought to include these situations and where this is not possible then a simulated situation should be set up.

The important point here is to ensure a technological and production *milieu* where the logics of cost and efficiency are in evidence. Putting it another way – studying the trading habits of the Phoenicians is legitimate, but studying the problem of marketing cars in America is not. In higher education, there is a marked correlation between the uselessness of an activity and its status. This should not be allowed to develop in management education.

Efficiency

Further research is required to assess the efficiency of management education; a long cool look must be taken at present courses. While little research in United Kingdom has been carried out in this area, American investigators give little support for the feeling that all is well! Even when the course is successful in imparting the necessary principles, it may be impossible for the student to apply these ideas, especially if there is a discrepancy between the 'back home' culture and that of the course. One method of overcoming this difficulty that has been suggested, is to take a vertical slice of the organization for training simultaneously, e.g. department managers and foremen could be trained together. In this way, the regressive pressures of 'on-the-job' could be resisted more effectively.

There is growing scepticism about the efficiency of much human relations training; lecturers in such courses are assailed with questions such as: What is human relations? What isn't human relations? What is the difference between human relations and industrial relations? How happy should the worker be? What about the economic well-being of the firm?

The group technique of training has also been

severely criticized. From the studies of behaviour of participants in leaderless groups which had been set up to give the students practical experience of group dynamics, certain criticisms can be made.

It is very difficult for groups to operate without a chairman and adequate information. Because they feel the situation is unreal, the motivation of the members is reduced. Considerable stress is created by the presence of the observers. It is possible that the anxiety and frustration in these experimental situations are too overwhelming to allow the students to learn. This is echoed in the frequently heard comments of the students: 'Isn't there an easier way? Can't these insights be gained through intellectual experience?'

Another method which has fallen under criticism is the technique known as 'brain storming'. Brain storming is a technique favoured in advertising agencies. The four basic rules of brain storming are: (1) no ideas are criticized; (2) 'free wheeling' is encouraged – the more far-fetched an idea the better; (3) quantity of production is emphasized – the greater number of ideas, the greater the chance of evolving a winner; (4) 'hitch-hiking' is encouraged, members are urged to take the ideas of others and to combine them to form a new and complex one. This technique has been advocated for twenty years without any scientific test of its effectiveness; but studies of the productivity of this, show that 'we think' may never become as creative as 'I think'.

Current research supports the view that: (*a*) what management students want; (*b*) what they think they get; (*c*) what management teachers want to give them; and (*d*) what these teachers actually give them, are often four different things.

Costs

A working party, headed by Lord Normanbrook, was set up a short while ago to ascertain the cost of establishing and running the two business schools recommended by Lord Franks. The working party's report estimates that the schools, which are to be established at London and Manchester, will cost between £2,180,000 and £2,430,000. These figures include the provision of residential accommodation and the acquiring of the sites.

Each school, with an administrative staff of five, a teaching staff of thirty-eight, with 300 students – 200 postgraduate and one hundred post experience – would, after eight years (which is the period the working party estimates would elapse before reaching full capacity), cost £166,000 per year to run. It is argued, in the report, that it would not be unreasonable to charge a fee of £600 for a course of twenty weeks' duration. It is explained in the report that this is the market price for other courses. While accepting the general principles of Lord Franks's arguments, the report includes an appeal, 'that the courses will be designed to inculcate a strong sense of cost consciousness'.

Lord Franks has suggested that it might be necessary to pay salaries of up to £7,500 per annum to get the right teachers. The particular specialists, to whom he was referring, were the experts in quantitative techniques.

Evaluation

In the costing of management education, the key question is: 'How do you measure the efficiency of management education?' While it is generally accepted that the most important factor affecting the productivity of an enterprise is the calibre of leadership exercised by management, few studies have been made of the relationship between productivity and the amount and quality of training the manager has had.

Scientifically, the ideal experiment would be to take a number of factories or departments which produce the same products with identical plant, using the same raw material, and with an identical distribution of skills in the respective work groups etc. Thus, holding all other things equal, the management of some of the factories or departments would then be given training and the subsequent changes in productivity, if any, measured and related to the types of training given. While it would be optimistic to expect experiments of this scientific rigour at this stage, the present method of assessing efficiency must be reviewed.

Michael Argyle, referring to the evaluation of management training, notes:

> 'It is a very curious fact that while so much formal training is going on, few follow-up studies have been made either to compare the advantages of different methods, or to see if they are any use at all. There is little doubt that these courses are enjoyed by those who attend them, and that the firms who send representatives always appear to be satisfied. This does not provide scientific evidence about the influence of the courses.'

At the moment, the most common method of assessing the effectiveness of a course consists in asking the participant managers whether they enjoyed the course, how useful they found it, and whether they preferred the case study to the lecture. It is of utmost importance that research be undertaken to ascertain the effects of management education.

An Investor's View of Company Accounts – II

by D. NAPPER, F.C.A.

The Profit Record

3. (a) General

The prospective investor will clearly be interested in the profit record rather than the profit of the last year. It may be assumed that he will consider in one way or another a period of some five to ten years. The years prior to the last five years will only be examined to see:

(a) If there are special factors affecting the profit record.

(b) To indicate the range of variation in profits from year to year.

Of those who have already made their investment, the individual investor will perhaps have some inkling of what range of profits were made in the earlier period, and he will view the results now presented in comparison with those of the previous year. The institutional investor will either have his own record of the earlier years or will obtain the information he requires from a card provided by one of the information services, such as Moodies or the Exchange Telegraph Co.

The suggestion that the individual investor has to rely on his memory for past trading results may have been in the minds of the Company Law Committee when they recommended that the annual accounts should include *a five-year summary* of the issued capital and reserves, the profits before and after tax, the dividends, and the turnover.[1] When a change is made in the basis of computation of any of these items and the effect is material, it is further recommended that the fact that such a change has been made should be disclosed and its effect explained. This is followed by the comment, 'We do not think this should present any serious difficulties and indeed many companies already do it'.

We can have no hesitation in agreeing with the recommendation, but I would suggest that, in practice, there are considerable difficulties. The phrase 'The accounts should be required to include a summary . . .', *does not clarify the auditor's responsibility in relation thereto.* He is only reporting on the profit or loss for the financial year, but the accounts, with the above summary included, must nevertheless show a true and fair view. Does the auditor need to make a reservation if he has not audited the earlier years' accounts? What if there was a qualification in the auditor's report in earlier years?

Again, each of the earlier years will have given rise to a number of notes on the accounts. How many of these are to be repeated? Is a capital reserve arising from a revaluation to be noted? What of adjustments to profits of earlier years? Preacquisition profits – are they all to be excluded, or included only if the subsidiary was acquired by exchange of shares?

Perhaps one should not hope for uniformity of treatment of these items. The practical difficulties are met from day to day by those who have the task of recording a series of profits for a particular company. One can only hope that the requirement in any new Companies Act, while being firm in principle, will not be too meticulously detailed, and that it will be left to the profession to establish the practice in detail.

There is at present no proposal for exempting unquoted companies from this requirement. The preparation of the first five-year record from the past accounts of some companies would be anything but simple. For instance, can the five-year record of a small company show a true and fair view if it does not also show a column for directors' remuneration? What of the items debited direct to reserves in the past – should they not now be charged before the profit figure in a five-year run of profits?

Let us assume that we have collected the accounts for a period of years, and *wish to build up our own record from them.* What are the figures in the profit and loss account which we will wish to record? I think, at this point, we shall have to consider separately:

(a) The unquoted company for which detailed accounts are available. Let us assume that it does not have a material subsidiary.

(b) The quoted company, for which we have only printed accounts, including a consolidated profit and loss account.

The figures which we might wish to record for each year, based on the present form of accounts, might be as follows:

Unquoted Single Company	*Quoted Group*
(1) Turnover.	(1) Turnover, external to the Group, if available.
(2) Gross or manufacturing profit – amount and percentage on turnover.	(2) Depreciation.
(3) Depreciation.	(3) Profit before tax.
(4) Profit before directors' remuneration.	(4) Taxation.
(5) Directors' (or other proprietors') remuneration.	(5) Minority interests in profit.
(6) Profit before tax and percentage on turnover.	(6) Profit after tax and minority interests.
(7) Taxation.	(7) Net dividends.
(8) Net dividends.	(8) Profit retained.
(9) Profit retained.	

The second part of a paper presented at the Cambridge Summer Course of The Institute of Chartered Accountants in England and Wales on September 11th.

[1] Paragraphs 395 and 397 (p), C.L.C.

In individual industries or companies, there will of course be additional or alternative headings to be considered, such as advertising or distribution costs. A lender will wish to include a column for interest paid. Inter-firm comparisons would, of course, cover a much wider range, but these would be designed for a particular industry. I have assumed that our investor requires as simple a picture as is practicable.

3. (b) Purpose of the profit and loss account

In preparing any record of trading results, it is essential that the total profits retained should be reconciled with the changes in reserves on the balance sheet over the same period. This exercise is quite indispensable, and even, in the case of quoted companies, illuminating. Take the ten-year record of a public company from its profit and loss account, and you will be seeing only half the picture of its profits and losses. Take the changes in reserves over the same period from the balance sheets, and the rest of the story of the growth or diminution in reserves is hidden away in 'Notes to the Balance Sheet'.

This system seems to me to be wrong in principle, a misuse and an unnecessary complication of the balance sheet. Can the business man be blamed for expecting to see all profits and losses – even capital profits and losses – somewhere in the profit and loss account. Otherwise it is a misnomer.

If it is desired to carry a particular type of non-recurring profit to a particular reserve or to write off a loss against a certain reserve, should this not be carried out by transfers to or from the reserves through the profit and loss account? There always seems to me an element of concealment or avoidance of the truth in permitting any amount to be written off direct to a reserve. If the entry is a profit or gain, it appears that the management is less than open in crediting an item direct to a reserve – so as not to let those dreadful shareholders get their hands on it!

This aspect is only very briefly touched upon in the Jenkins Report. The Committee recommended that, 'The Eighth Schedule should require that any exceptional credits or charges, arising *from previous years*, should be passed through the profit and loss account'.[1] It may be that the Committee regarded a profit on the sale of a freehold property, realized in the year under review, as a profit arising *from* previous years, but this is not clear.

Certainly they considered the whole question under the heading 'Distribution of Profits', and came to the conclusion that a realized capital profit may only be distributed when the net aggregate value of the remaining assets has been considered, and that an unrealized capital surplus may not be distributed in dividend.[2] This was, however, a legal consideration of the question of distributions, and leaves open the accounting aspect prior to distribution. It might be implied that there should be at least three types of reserve in the balance sheet – unrealized capital surplus, realized capital surplus, and revenue surplus.

I believe that we should develop our accounting principles so as to show more clearly the distinction between:

(*a*) The revenue profits of the year,
(*b*) The non-recurring revenue profits and the profits of prior years, and
(*c*) Capital profits

but so that we can include *all profits within visible reach of the profit and loss account.*

The present profit and loss account – the profit and loss account for the year, followed by the appropriation account – does not lend itself conveniently to this purpose. It is possible to bring in one or two non-recurring revenue profits or even a capital profit and to make transfers to the appropriate reserves. It is also possible to show a transfer from a reserve and to deduct a non-recurring or capital loss. But if there are many such separate items – as in the larger groups of companies – a much simpler method is available.

Is there any reason why the movements in reserves should not follow the profit and loss account? The profit and loss or revenue account *for the year* would normally show the profit before and after tax, and the dividends for the year, leaving a balance of revenue profits retained. The allocation of this balance, together with any exceptional or capital profits or losses, will then be added to or deducted from the respective reserves or unappropriated profits.

I believe that development of the accounts of quoted companies along these lines would lead to a clearer understanding of company results and to an improvement in company reporting generally. In particular, it would have the advantage of showing distributions out of capital profits in a more appropriate and prominent position than under the present system.

3. (c) Turnover

It will be recalled that the Company Law Committee adopted the recommendation of our Institute that *turnover, including group turnover, should be disclosed in the annual accounts.*[3] In the case of unquoted companies,[4] the turnover figure is to be included in the audited accounts distributed to members and debenture-holders but may be withheld from the accounts filed with the Registrar of Companies.

In spite of this right to withhold the figure from the filed copy, and in spite of the evidence from America, the Committee still felt that there should be an exemption if the directors were satisfied that disclosure would be harmful to the company and were to make a statement to that effect 'in the accounts'. One can only hope that this last exemption

[1]Paragraphs 392 and 397 (*l*), C.L.C.

[2]Paragraphs 335 to 339 and 350 (*a*) and (*b*), C.L.C.

[3]Paragraphs 393–397, C.L.C.

[4]Unquoted companies are defined for this purpose in paragraph 352, C.L.C.; the definition excludes subsidiaries of quoted companies.

Example III SUMMARY OF TRADING RESULTS

Year ended March 31st	Sales	Depreciation	Profit before Directors' Remuneration	Directors' Remuneration	Profit before Tax	Tax	Profit Retained	Increase in Directors' Accounts
	£	£	£	£	£	£	£	£
1960	58,000	800	6,000	5,700	300	—	300	1,000
1961	65,000	1,500	7,300	6,900	400	100	300	1,600
1962	72,000	1,700	8,100	7,800	300	—	300	1,400
1963	84,000	1,700	10,800	10,000	800	400	400	2,000
1964	99,000	1,600	10,800	10,400	400	200	200	900
							£1,500	£6,900

will not make the Committee's recommendation as ineffective as subsection 157 (2) of the Companies Act.[1]

The small company is quite accustomed to showing turnover in its accounts, normally with purchase tax or excise duty and trade discounts already excluded, but with returns and allowances shown as a deduction. It might even be said that some small companies watch their turnover figures more closely than their profits. More attention must, however, be given to such items as commissions and hire-charges receivable, which, while presumably requiring to be disclosed, must not be included in one overall turnover figure.

The larger group, which does not usually consolidate the manufacturing and trading accounts of its subsidiaries, may have to keep a more careful track of its inter-company transactions; this inter-company turnover often is not shown separately in the audited accounts of the individual subsidiaries.

The basis of computation of the turnover figure is to be given in the first accounts, and thereafter any change is to be explained. I would have thought that good practice at least will demand that the basis should be stated more frequently, especially in view of the proposed five-year record.

3. (d) *Directors' remuneration in small companies*

Management remuneration in small companies is decided upon and is charged in the accounts in a variety of ways. There may be a director in charge of the factory on a straight salary and there may be proprietor-directors whose remuneration is determined only annually when the draft accounts indicate the approximate profit for the year. There may even be directors who wait for the draft tax computations to be prepared before settling their bonus for the year and there are certainly still directors' fees which are subject to approval at the annual meeting, and pensions to past directors or their dependants which may start or stop during any given five-year period.

The investor or purchaser of such a company, especially if he was aware that the remuneration was in future to be on quite a different basis, would find little use for a profit record which did not show a column for profit before charging directors' remuneration.

Take the figures set out in Example III, which is not unrepresentative of a small company. The auditor, if he is to take responsibility for the five-year profit record of the future, will have to consider whether such a record without a column for profit before directors' remuneration can be true and fair to the members of the company, even though it may comply with the letter of any new legislation.

Yet the directors' emoluments, together with turnover and rents, are to be withheld from the accounts which it is proposed should be filed at Companies House. In these circumstances, *can the filed accounts show a true and fair view?*

3. (e) *Profit of the year – in practice*

Let us return to the five- or ten-year record of trading results to be prepared from the detailed accounts of a small manufacturer. We are not preparing a prospectus,[2] with all the detailed checking which that implies, but constructing a comparatively simple picture *from the accounts* for an existing or prospective investor.

We have already decided to extract, in separate columns, the turnover, gross or manufacturing profit, depreciation, and directors' remuneration, with, say, an interest column. After charging these items in a particular year, we are able to set down a figure for 'trading profit' – that is, the 'first' profit figure before we add or deduct certain more specific debits and credits which we must consider in more detail. These

[1] See 2 (*d*) *supra*.

[2] A very real difficulty with prospectus figures is that, when the accounts of subsequent years become available, the investor is unable, without a similar investigation, to add the later figures to his existing record. There is a complete break in the comparison between the years.

debits or credits must now be divided into what, for lack of any better description, I will call:

(*a*) Non-trading items – debits or losses and credits or profits which will be charged or credited *before* arriving at the 'Profit of the Year', i.e. 'above the line', and

(*b*) Non-recurring items – losses or profits which are to be excluded from the profit of the year, and treated as 'below the line'.

Rents receivable and investment income are perhaps the simplest of the non-trading items. We have to record them each year in order to keep watch on them. If over the given period, they transpire to be sufficiently regular in amount and to be small enough in relation to the profit, we shall include them in profit without further ado. If they are both erratic and material in relation to the profit, we shall have to include an additional column in our record. If only one year is exceptional, I suggest that they should still be included in the profit for the year, but that a particular note is required for that year only.

There are other non-trading items, of which one has to take a more personal view. The profitability of building or public works contractors and of many engineering companies depends upon long-term contracts. When profits are ascertained in the current year on work done in previous years some companies will include these profits in the profit of the year without comment; others will distinguish them as profits relating to prior years. For the purpose of a five- or ten-year profit record, I do not think the latter company, which shows them separately, should be at a disadvantage. I would therefore be content to include them in the 'profit before tax' column, only referring to them by way of note if they were sufficient to upset the trend of profits.

In the course of the period, there may also be provisions for stock losses, losses on exchange, and provisions no longer required (other than taxation) charged against or credited direct to reserves. These items require to be examined individually. Unless they are of a capital nature, I would prefer to see them charged against or included in profits and only noted separately when they have a material effect on one particular year.

Profits and losses on the sale of plant or vehicles present more of a problem. There are few companies in which these items do not occur in most years. I am prepared to treat them as a charge or credit before 'Profit before Tax', on the basis that, over a period of years, it is impractical to suggest that they are exceptional or non-recurring.

The exceptional non-recurring items, which are not to be included in 'Profit before Tax', do not usually present so much difficulty. Certain items are clearly of a capital nature – a company does not expect to earn a profit on the sale of one of its factories every year – and others, such as a lump-sum contribution to a new pension fund or compensation for loss of office, are so substantial as to be clearly exceptional. These would warrant a special note that the profit before tax is shown before charging or crediting these items. A profit or loss on the sale of investments and terminal losses on closing down a subsidiary would generally be treated in the same way, although it would be necessary to examine the circumstances more carefully. If the profit record is to be regarded as an assessment of management ability, trading losses of overseas subsidiaries are clearly part of that record, but terminal losses and losses or profits on trade investments can sometimes be regarded as due to external influences and therefore extraneous to that consideration.

In addition to the items appearing in the profit and loss account, the movements in reserves must also be examined so that any realized profits or losses taken

Example IV

FORTE'S (HOLDINGS) LTD AND SUBSIDIARIES

Consolidated Profit and Loss Account for the fifty-three weeks ended February 2nd, 1964

	53 weeks ended February 2nd, 1964	*52 weeks ended January 27th, 1963*
	£	£
GROUP TRADING PROFIT (Notes 1 and 2)	2,574,160	*2,010,800*
Deduct:		
Depreciation and Amortization (Note 3)	682,367	*457,406*
	1,891,793	*1,553,394*
Deduct:		
Interest on Borrowed Money (Note 4)	196,574	*210,610*
PROFIT OF THE GROUP BEFORE TAXATION	1,695,219	*1,342,784*
Deduct:		
Taxation thereon (Note 5) ..	636,992	*704,178*
PROFIT OF THE GROUP AFTER TAXATION	1,058,227	*638,606*
Deduct:		
Profit attributable to Outside Shareholders in Subsidiaries	49,465	*56,009*
PROFIT OF THE GROUP AFTER TAXATION ATTRIBUTABLE TO THE MEMBERS OF FORTE'S (HOLDINGS) LIMITED (Note 6)	£1,008,762	*£582,597*
DIVIDENDS	£	£
On Preference Shares (Note 7) ..	125,224	*19,875*
On the Ordinary and 'A' Ordinary Shares (Note 8)	400,305	*238,011*
	525,529	*257,886*
PROFIT FOR THE YEAR RETAINED BY THE GROUP	483,233	*324,711*
	£1,008,762	*£582,597*

The Notes are not here reproduced.

direct to reserve in the balance sheet can be brought in, in the appropriate category, to the profit record. In the case of a capital profit, the profit for the year would require a note, perhaps on the following lines:

'The profit before tax for 1962 is shown before crediting a profit on the sale of the London office premises, £30,000, out of which a capital dividend of £7,500 was paid in 1963.'

I hardly need to add that *I do not consider that our proposed five-year record in the accounts would show a fair view without a reference of this kind in one form or another.*

3. (f) Profit retained

The accounting treatment of profit retained in the business has not received the consideration which it deserves. One of the main differences between the traditional form of accounts and the more modern treatment concerns the point at which the balance of unappropriated profits from earlier years is brought in to the profit and loss account – *if it is necessary to bring it in at all.* See Example IV.

There are of course two elements of profit retained. They are perhaps best illustrated in figures:

	£
Group profit of the year	100,000
Less: Taxation on the profit of the year	55,000
Group profit of the year after tax	45,000
Less: Net dividends	25,000
	20,000
Add: Capital profits	20,000
Profit retained in the business	£40,000

Profit retained	£
Transferred to realized capital surplus	20,000
Unappropriated profit of the year	20,000
	£40,000

During the year in question, the shareholders' equity, after payment of the dividends, has benefited by £40,000, which may be used in the business or, given favourable circumstances, distributed in the future.

This figure, while factual, must be used with care. Clearly, the cover for the dividend is only £45,000, and only £20,000 of the profit retained can be used in conjunction with the depreciation in estimating the following years' cash flow. These are, however, considerations which must be taken into account outside the profit record, which is primarily intended as a faithful record of the past years.

Other items which give rise to some difficulty are amounts written off intangible assets such as goodwill and patents and trade-marks. If there is an existing item in the balance sheet for goodwill and some part of this is, in effect, written off during the year, this has no effect on the profits retained during the year. Patents and trade-marks present more of a problem, since some companies decide to write them off, not because they have specifically lost their value, but in order to tidy up the balance sheet. If this is the case, then the amount written off does not affect the profit retained for the year. If, on the other hand, there is some circumstance requiring that the patents or trade-marks should be written down in the balance sheet, then the amount should be excluded from the profit retained for the year.

(*To be concluded.*)

Weekly Notes

ANOTHER DEPORTMENT STATEMENT

IN our issue of October 17th we reproduced, and in a leading article commented upon, the revised and expanded statements then issued by the Council of The Institute of Chartered Accountants in England and Wales on professional deportment. This week we reproduce another such statement which in due course will take its place with the others in section E of the *Members' Handbook.* This one deals with the distribution of booklets descriptive of services provided by members and, in particular, the Council's own publication, *See a Chartered Accountant,* which appeared in March 1963.

It is pointed out that while publicity for the services which chartered accountants can provide is desirable, any attempt at enticement or self-advertisement is considered unethical and is, therefore, to be resisted. Thus, in general, the circulation of such booklets should be restricted to existing clients and neither the name nor address of the member sending them should appear on the documents being distributed. An accompanying letter is permissible but should emphasize that if the enclosures are passed on to others, the issuer may be involved in a possible charge of contravening the Institute's ethical requirements.

The Council further mentions that documents prepared and issued by members for the information of clients should be objective in tone and dignified in presentation and should not seek to evaluate or appraise the quality of services which may be offered. The nature and extent of past services to other clients may be communicated only in the form of a private letter. Members may issue booklets with accompanying letters in reply to unsolicited requests but they have a responsibility to ascertain if the person making the request already uses the services of a professional accountant. If he does, then as a matter of courtesy the member should inform his professional colleague that such a request has been made and complied with.

INSTITUTE SECRETARIAT

INSTITUTE members will receive with much regret the news of the retirement on December 31st next, due to ill health, of Mr F. M. Wilkinson, F.C.A., Joint Secretary of The Institute of Chartered Accountants in England and Wales, who has been on sick leave since March.

Mr F. M. Wilkinson

Mr Wilkinson, who is aged 50, has been Joint Secretary for the past two years. Admitted to membership of the Institute in 1936, he first joined the Institute Secretariat in 1944, being appointed Assistant Secretary in January 1946 and Deputy Secretary in January 1960. From 1946 to 1954 he also served as Secretary of the Taxation and Research Committee (now the Technical Advisory Committee).

As reported on other pages of this issue, the Council of the Institute, at its November meeting, placed on record its appreciation of Mr Wilkinson's outstanding contribution to the work of the Institute and asked the President to convey to him its best wishes for his future health and happiness.

The Council has appointed Mr C. A. Evan-Jones, M.B.E. (presently Joint Secretary), as Secretary of the Institute with effect from January 1st next. Mr Evan-Jones, who is aged 52, joined the secretariat of the former Society of Incorporated Accountants in 1946 and was appointed Assistant Secretary in 1947 and Deputy Secretary in 1950. Following the integration scheme with the Institute in 1957 he joined the Institute's staff, becoming an Assistant Secretary in May 1959 and an Under Secretary in January 1960. He has been Joint Secretary with Mr Wilkinson since November 1962.

Mr C. A. Evan-Jones

A new Institute appointment has also been announced by the Council. Mr Dudley W. Hooper, M.A., F.C.A., is to take up the new post of Technical Officer as from November 23rd. Mr Hooper, who was admitted to membership of the Institute in 1936, is at present Chief Organizing Accountant, National Coal Board – a position he has held for a number of years. A former President of the British Computer Society (in 1961–62) and a past Chairman of the Society's Executive Committee, Mr Hooper was director of the Institute's E.D.P. Pilot Course held at Hastings last January. He later served as director of the E.D.P. residential courses for members held at Brighton at the end of May.

Mr Dudley W. Hooper

PARIS CLUB AGREES

THE so-called Paris Club, which consists of the ten most influential members of the International Monetary Fund, has agreed to put \$400 million at the disposal of the Fund when Britain makes its expected drawing in the near future. The United Kingdom has, in fact, already negotiated an arrangement directly with the I.M.F. for \$1,000 million. This is likely to be the extent of the borrowing for the time being.

The decision of the I.M.F. to ask the Paris Club to put additional resources at its disposal is due to the relative shortage of certain European currencies. It is thought that the main currencies which have been arranged under the supplementary agreement include German Deutschmarks, United States dollars and French francs.

This *ad hoc* arrangement has drawn attention to the fact that the I.M.F. is using its supplementary borrowing rights at a time when it is not particularly extended. New lendings have exceeded repayments so far in 1964 but the net outflow has been modest. Its overall position does not seem to be very different from that in the previous two years. Part of the explanation may be that much of its reserves in the more negotiable currencies are in American dollars and the United States is probably less enthusiastic about dollars being loaned to borrowing countries at the present time than it was in the days before it had balance of payments preoccupations of its own.

There is continuing concern about the shortage of liquid funds available to finance international trade and this latest move by the I.M.F. hints that there is a case for it to have larger immediate resources upon which to draw. In short, the move could mean that greater resources to maintain international liquidity are necessary than exist at the present time.

INQUIRY INTO RESTRICTIVE PRACTICES

AN inquiry into restrictive practices in industry and the professions was announced by the Institute of Economic Affairs at the beginning of this week. It is hoped to publish an interim report in the summer of 1965, followed by the final one in the spring of 1966. Mr John A. Lincoln has been appointed director of the inquiry and he is to be assisted by a panel of assessors under the chairmanship of Mr Graham Hutton. With Mr Hutton will be representatives of industry and former senior trade union officials, a university professor and two representatives from the Institute itself.

This move by the I.E.A. has coincided with a call from ten company chairmen and managing directors for an end to restrictive practices. This call has taken the form of an article in *The Director* in its latest issue and pleads for an end to restrictive practices on both sides of industry.

The interesting point about the latest I.E.A. inquiry (and it finds an echo in the statement by the

chairmen and managing directors) is the scope of the study. It will be the first time that a complete study of restrictive practices throughout the economy has appeared within one report. It should be able to assemble a large body of evidence and clarify the problem as to how far activities may be reasonably classified as protection to preserve standards and how far they may be a restriction of output and services to raise prices.

REVIEW FOR AIRCRAFT

THE review of the Concord aircraft project is not likely to be an isolated case. There are indications that the Government intends to hold a full-scale review of the aircraft industry before long. The Concord has attracted a good deal of attention because it is an international project and is one of the most costly in which the Government is involved. But others likely to be covered by the scrutiny are

This is My Life . . .

by An Industrious Accountant

CHAPTER 250

FOR years past we've all been familiar with the name of Fra Luca Pacioli. Every time anyone talks or writes about the origins of accountancy, this Franciscan monk is mentioned; for as all accountants know (or have forgotten), in Venice in 1494 he published a philosophical-cum-mathematical work entitled *De Arithmetica, Geometria, Proportione and Proportionalita*, and this mouth-filling effort included a treatise on book-keeping called *De Computis et Scripturis*. This was the first reference in history to double-entry as we know it today. It will doubtless be recalled that a reproduction of the treatise was on view in the exhibition at last year's Edinburgh Congress.

Pacioli is not considered to have actually invented the double-entry system; it is more likely that he merely described the method then in use. He presumably knew it well. He had taught as a mathematician at the University of Perugia, later moving through the renowned colleges of Naples, Pisa, Florence and Bologna, and he was appointed Professor of Mathematics in the Sapienza in Rome by Pope Leo X in 1514. He was, furthermore, a friend of the great Leonardo da Vinci, collaborating with him on *De Divina Proportione* in 1509; da Vinci did the illustrations – complex geometrical polyhedrons, while the monk did the text.

Somehow until recently I always pictured our first professional chronicler as a sort of eager El Greco scribe, lean and tireless, toiling away in his gloomy cell by flickering taper light. His friendship with the famous painter-sculptor was, I thought, his only link with the intrigues of the Renaissance dukedoms. So I thought; but little I knew.

I've just seen a portrait of Pacioli, and it was like meeting an old friend unexpectedly. It appears in an illustrated biography of Leonardo, taken from an oil painting by Jacopo de Barberi in the National Museum of Naples. He's a burly figure in loose habit, with big hands and a shrewd, confident stare; he looks fit to have ridden out in corselet and plumed helmet against some raiding *condottieri*. Not at all a bad model for us accountants, in fact, who in our time have encountered a few brigands in offices or factories. Beside him in the painting appears his patron, the Duke of Urbino, thin-faced and enigmatic. If this nobleman ran true to the type of his contemporaries in the surrounding city-states (such as the Borgias or the de Medicis) our monk must have had some pretty interesting experiences!

Contemporary records describe Pacioli as worldly-wise, ambitious and unscrupulous, and not above stealing the discoveries of others to pass off as his own. But who can tell how much truth remains after five centuries? These stories may well be just the spicy tittle-tattle of the current equivalent of today's gossip columnists. At least, any hint of plagiarizing would have been anathema to Leonardo, who had a horror of this sort of theft. His diaries continually harp on his assistants' tendency to take the credit for his ideas or to disclose them to outsiders; and to circumvent such trickery he wrote his notes in looking-glass code, from right to left.

Monk and artist were friends for years. They escaped together from Milan in 1499, shortly before the French defeated Duke Lodovico Sforza, Leonardo's patron; they returned together from Florence in 1500. In fact, while Pacioli was writing his famous treatise, da Vinci was planning a gigantic equestrian statue before painting his 'Last Supper' on the refectory wall. They probably inspired one another; maybe they collaborated on accounting systems as well as geometry.

Why not? Leonardo's versatility was astounding. His sketch-books teem with diagrams of bridges, diving-suits, tanks, aeroplanes, nudes, canals and paddle-steamers, as well as limbs and faces. Not all his manuscripts remain among the 7,000-odd in Milan and Windsor; some were looted by Napoleon; others, perhaps long-lost balance sheets of ducal extravagances, may yet be found.

Research may yet unearth a Leonardo painting of Fra Luca's begowned scholars – forerunners of today's accountants. Perhaps he first saw Mona Lisa when she sat, a fair young Florentine student of double-entry, at the footstool of the Professor of Mathematics.

the TSR-2, the Hawker Siddeley P 1154 Kestrel, the HS-681 short take-off transport and the decision to buy Phantom jets from the United States.

One source has estimated that these four together account for a projected expenditure of about £600 million before the end of the 1960s.

There is, however, little talk of further rationalizing the industry so far as concentrating the number of firms is concerned. Talk is more about rationalizing programmes and types of aircraft under development. The review seems likely to include the future of the Ministry of Aviation itself.

MACHINE TOOLS AND EXPORT REBATE

THE monthly figures for deliveries of machine tools have recently become available for July. They show that deliveries of orders for export fell by 10 per cent over the year while those to the home market slightly increased. It may be that this is a not untypical example of the pull of the home market working against the country's export trade.

Other industries are likely to have been suffering from a similar dilemma as must have faced the machine tool manufacturers. As the economic recovery gathered impetus throughout the spring and summer it became doubtless easier to fulfill home orders than export ones. In times of boom the easiest market to go for is always the home one. Exports begin to look a good deal more attractive when the home market becomes a 'hard sell'.

All this is very relevant to the future of the new export rebate. If it is Government policy to maintain a high rate of investment in the home market in order to raise productivity and so stimulate economic growth it may be correspondingly difficult to persuade some industries, those with no highly sophisticated foreign sales organization in the first place, to go for exports. This fact may carry more weight than a modest export rebate. Certainly an export rebate must be high enough to do the job. It may yet be found that the new emergency measures have got the quantities wrong and that there should have been more emphasis on the export rebate and less of a surcharge on imports.

The Institute of Chartered Accountants in England and Wales

Statement on Professional Conduct

Reproduced below is the statement referred to in the proceedings of the Council of the Institute, reported elsewhere in this issue. The statement will in due course be included in Section E of the Members' Handbook.

THE ISSUE OF BOOKLETS BY MEMBERS

The Council wishes to draw the attention of members for their guidance to the following points:

Booklets Descriptive of Service Provided by Members

1. The Institute booklet *See a Chartered Accountant* indicates the nature of the services provided by members of the Institute. The purpose of the booklet is to draw those services to the attention of persons who have not so far used them and also of persons who already obtain accountancy or taxation services from members without realizing the wide range of additional services which they could obtain. Publicity for the services which are available to the public from chartered accountants is highly desirable, subject to the important reservation that care is needed to avoid the issue of any document in circumstances which could be considered unethical as being an attempt by a member or firm to attract professional work from persons other than their clients or to obtain publicity for themselves to an extent and in a manner closely akin to advertising. Accordingly, when the booklet *See a Chartered Accountant* was issued to members in March 1963, they were advised as follows:

A member may of course send the booklet to any of his clients. That is one of the purposes for which it has been prepared. Copies so issued should be accompanied by a suitable letter addressed to the client. The booklet may also be displayed in a member's waiting room for clients to take away.

It is to be expected that some copies issued to clients will find their way into the hands of non-clients. This would be to the advantage of the Institute, but members will appreciate the importance of ensuring that the booklet does not publicize a particular member or firm.

The following restrictions must therefore be observed:

(*a*) neither a member's name or address, nor the name or address of his firm, should be marked on or affixed to any copy of the booklet;

(*b*) the member should not send the booklet to any person who is not a client, except in response to an unsolicited request.

2. The announcement set out above makes clear that the booklet *See a Chartered Accountant* may properly be sent with a suitable letter by a member to any of his clients. This booklet describes the range of services available to clients from practising members of the Institute. When, therefore, a member or firm sends a copy to a client there is a clear implication

that, except so far as the covering letter indicates otherwise, the sender is prepared to provide the services described in the booklet.

3. If the issuing member so prefers there is no reason why he should not prepare his own document using, if he so wishes, the information provided in the Institute's booklet, with any appropriate additions. Neither a member's name or address, nor the name or address of his firm, should be contained in, marked on, or affixed to any copy of the document other than by appearing on the letter accompanying the document.

4. Except in response to an unsolicited request such a document should not be issued to a person who is not the issuer's client, a member of the issuer's staff or a partner or member of the staff of a firm which is associated with the issuer in the sense that it takes responsibility to its clients for the performance by the issuer of services described in the booklet. Such a document should be issued with a covering letter addressed to the client or other person to whom it is issued which should emphasize that it is for the use of that person and should not be passed on to others, except that a firm associated with the issuer in the sense described above may re-issue the document in the same way as the issuer himself. If desired the reason for this restriction may be given, namely that failure on the part of the recipient to comply may involve the issuer in allegations of contravention of the Institute's ethical requirements.

5. A document of this kind should be objective in tone and presentation. It should not be expressed in terms which evaluate or appraise the quality of the services nor should it include information about the nature and extent of services, which the member or firm has already undertaken for specific companies, trade associations or other clients. Such information may however be included in a private letter addressed to a client or sent as a reply to a specific and unsolicited inquiry by some other person.

Booklets and Documents Containing Technical Information

6. From time to time inquiries are received by the Institute as to the rules which govern the issue by members and firms of booklets and other documents bearing their names which have been prepared to give technical information for the assistance of their clients on matters other than the services which the members or firms are prepared to render and are not addressed to a particular client. Examples are booklets which give particulars of new legislation or regulations; descriptions of accounting techniques and machines; and information about the conditions and methods of carrying on business in particular industries or countries.

7. There is no reason why such documents or booklets should not be issued to clients or staff of the issuer or to any other firm of accountants. They should not be issued to other persons except in response to an unsolicited request, and undue prominence for the name of the member or firm is to be deprecated as being detrimental to the status of the profession in the public esteem.

Rules Applicable to Both Classes of Documents

8. Any booklet or document issued in accordance with this statement should be dignified in content, manner of presentation and form of production whether printed, duplicated or typewritten; flamboyance should be avoided as being inconsistent with the dignity and standing of the profession.

9. The references to clients in the foregoing paragraphs are exclusively to clients who retain the services of the issuing member or firm in the field or one of the fields of public accountancy to which the document concerned relates; or, if they do not retain them in any one of those fields, do not, to the issuer's knowledge, retain therein the services of another professional adviser.

10. Where a document is issued in response to an unsolicited request from a person who is not a client and the request is not made through a professional accountant:

(i) the member or firm should first ascertain whether the person is already using the services of a professional accountant (including, where applicable, his auditors) and

(ii) the member or firm as a matter of courtesy should write to such other accountant if any enclosing a copy of the booklet and informing him that the request has been received and complied with.

11. A member or firm acting in a professional capacity for a trade association is not thereby in a client relationship with the individual members of the association, but there is no reason why copies of any report made at the request of the association should not be circulated to its members.

12. A member could give grounds for a complaint of discreditable conduct if he or his firm should fail to observe the foregoing considerations or should achieve unnecessary and avoidable publicity by reason of either:

(*a*) not taking reasonable steps to exercise proper control over the issue of a booklet; or

(*b*) issuing a booklet on a scale or in a manner which could be interpreted as indicating a desire to publicize to non-clients the services of the member or firm.

It is recognized that in isolated cases a client, not knowing of the ethical considerations set out in this statement, may pass on to another person a booklet which he has found of interest. Such an isolated instance would not necessarily reflect adversely on the conduct of the member issuing the booklet, but the Council wishes to emphasize that a member who issues any booklet of the kind referred to in paragraph 3 must accept full responsibility for proper control over its distribution.

Finance and Commerce

Williams & Williams

THE accounts of Williams & Williams (Reliance Holdings) Ltd, the metal window makers, are the subject of this week's reprint, and show that the company has suffered a severe setback. Mr S. R. Hogg, M.C., F.C.A., who was appointed chairman early in 1961, to act in effect as 'company doctor', is now retiring at the age of 75. He hands over to Sir Charles Westlake, M.I.E.E., who, in view of Mr Hogg's advancing years, was invited to join the board at the end of 1963 and was appointed deputy chairman. At that time, says Mr Hogg, 'I had no knowledge or indication of any impending difficulties or anxieties'.

Not long before, at the October meeting, he had, in fact, told shareholders: 'we see no cause for disappointment'. First quarter internal accounts showed 'more than satisfactory results'. It would be misleading, he said, to multiply the figures by four as an estimate of the full year profits because profits depended entirely on the invoicing value of the company's outputs which were dependent on the progress of the sites of the various building contracts in which they were interested.

Then came a further setback in the business which had been showing signs of recovery and return to ordinary dividend payment. There was another look at the first quarter figures but it was confirmed that 'the first quarter results cannot be impeached'. Dealing with the setback in his present statement, Mr Hogg points out that of the £219,573 drop in profit, £95,314 is attributable to provisions for special losses in respect of claims, including a loss in the U.S.A. subsidiary of over £22,000.

Chester Loss

Some claims go back to work done as long ago as 1958, though the actual claim may not have been received until some years later. In some cases, the company is still entitled to claim against sub-contractors but, nevertheless, it is considered prudent to make suitable provision for the loss. There is nothing, in general, unusual in the time taken for settlement of these items; delays in final settlement of long-term building projects are quite customary. The closing down of the American subsidiary is contemplated, in favour of working through agents.

Mr Hogg points out that, each year, he has had to report that one of the Chester factories was still working at a loss 'which had been the usual pattern of trading in that factory over many, many years, long before the appointment of your present board'. As at last year, the losses were being reduced, but the factory this year still failed to cover its proper allocation of central costs, so that a further, though reduced, loss arose.

Mr Hogg points out that in any business of any size there is a heavy burden of overheads, including selling, administration and general control, which must inevitably be carried. In the event of a sudden reduction in turnover, it is quite impossible, he says, for any appreciable savings to be made in a short space of time. On the contrary, a reduction in turnover is not only reflected by a loss of net profit but also there is an immediate and heavy loss in the failure to recover overheads.

Difficult Position

Mr Hogg admits that 'these aims (to reduce overheads) have not by any means been fully achieved either as regards production process efficiency or reduction of overheads. It has now become apparent that the proportion of small orders has been too high a proportion of the turnover at the Chester factories and a great deal of such trade has been done obviously without any profit at all'. Thus, it is pretty obvious from Mr Hogg's statement that the business was in no state to face a move over to a buyers' market, fierce competition and reduced margins.

'You may well inquire', Mr Hogg says to shareholders, 'when did the board first have notice that a difficult position was developing?' He explains that stock is taken twice a year on October 31st and April 30th. Monthly and quarterly accounts are thus estimates on the most recently available information, gross profit being an estimate which is agreed by the management and financial accountant at Chester.

'It now emerges that the estimates of gross profit were too optimistic'.

Early in January 1964, detailed accounts for six months to October 31st showed a small loss. The board began to feel anxious and 'I myself expressed, on behalf of the board of the holding company, disappointment and displeasure with the trading results then produced.' But it was expected that the lee-way would be made up in the second half of the year and 'we were given a figure of potential gross profits for the full year in the sum of £200,000'.

Examination

In early February, however, it became apparent from detailed accounts for the month of December that there was a 'serious loss' and this continued to the point where 'we immediately instructed an independent accountant of great industrial experience to investigate the position at the works. Some three weeks later, we received his report showing a gravely unsatisfactory position'.

As a result, Messrs Cooper Brothers & Co, Chartered Accountants, were asked to examine fully and in detail the whole position at Chester. Their

WILLIAMS & WILLIAMS (RELIANCE HOLDINGS) LTD. AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet as at 3rd May, 1964

1963 £		£	£
	ISSUED SHARE CAPITAL OF WILLIAMS & WILLIAMS (RELIANCE HOLDINGS) LTD.		
	151,660 8% Cumulative Preference Shares of 5/- each, fully paid	37,915	
891,282	3,413,466 Ordinary Shares of 5/- each, fully paid ..	853,367	
			891,282
	CAPITAL RESERVES:		
182,089	Share Premium Account	182,089	
632,705	Sundry Reserves	632,705	
			814,794
	REVENUE RESERVES:		
633,109	General Reserves	633,109	
(Dr.) 65,481	Profit and Loss Account, Credit Balance	47,992	
(567,628)			681,101
2,273,704	**CAPITAL AND RESERVES**		2,387,177
	MINORITY INTERESTS:		
	Ordinary Shares	110,715	
	Less Net Debit Balances on Profit and Loss Account		
—	applicable thereto	110,715	—
	LOAN CAPITAL:		
675,800	Debenture Stock, Holding Company (secured) ..	655,400	
	Debenture Stock, Overseas Subsidiaries, £130,000, less		
50,000	amount held within Group	65,000	
			720,400
8,567	**PROVISION FOR FUTURE INCOME TAX, 1965–66**		4,778
	CURRENT LIABILITIES:		
6,853	United Kingdom Taxation	27,922	
5,600	Overseas Taxation	1,785	
56,634	Bank Overdraft	60,631	
1,380,364	Sundry Creditors and Credit Balances	1,496,332	
52,269	Proposed Ordinary Dividend (net)	—	
(1,501,720)			1,586,670
£4,509,791			£4,699,025

1963 £		Cost or Valuation £	Accumulated Depreciation £	Net Book Value £
	FIXED ASSETS:			
363,432	Land and Buildings	554,055	132,462	421,593
170,369	Plant and Machinery	669,153	474,831	194,322
57,818	Motor Vehicles	141,666	68,560	73,106
32,215	Furniture and Office Equipment ..	73,199	38,194	35,055
1	Patents	1	—	1
623,835		£1,438,074	£714,047	724,027
	PRE-OPERATING COSTS (OVERSEAS SUBSIDIARY)		30,424	
22,924	*Less* Amounts written off and Provision to date ..		30,424	—
	DEVELOPMENT EXPENDITURE this year ..		77,993	
—	*Less* Amount written off		27,993	50,000
	TRADE INVESTMENTS:			
3	Not quoted, at cost			3
	INTERESTS IN SUBSIDIARY COMPANIES NOT CONSOLIDATED:			
143	Shares at cost		143	
13,253	Amount paid on account of Shares in a new Subsidiary		—	
42,167	Current Accounts, less amounts written off		13,288	13,431
	CURRENT ASSETS:			
977,103	Stocks and Work in Progress at or under cost ..		1,017,006	
2,468,447	Sundry Debtors and Prepayments, less provisions ..		2,632,094	
184,611	Investments (Market Value £143,068)		143,068	
59,740	Bills Receivable, less provisions		40,612	
115,195	Cash at Banks and in Hand		76,550	
(3,805,096)				3,909,330
2,370	**BALANCES ARISING ON CONSOLIDATION** ..			2,234
£4,509,791				£4,699,025

NOTE.—These Accounts should be read in conjunction with the notes on page 613

On behalf of the Board,

S. R. HOGG
J. H. W. MARGETTS } *Directors*

WILLIAMS & WILLIAMS (RELIANCE HOLDINGS) LTD. AND SUBSIDIARY COMPANIES

Consolidated Profit and Loss Account for the 52 weeks ended 3rd May, 1964

1962–63 (53 Weeks) £	1962–63 (53 Weeks) £		£	£
	255,487	**Net Trading Profit for the period,** after providing for all expenses other than those shown separately herein		35,914
	16,675	**Net Credit arising from adjustments to** amounts charged in previous years ..		554
	7,420	**Dividends and Interest Received** ..		6,434
	4,200	**Profit on redemption of own Debentures**		280
	283,782			43,182
59,775		Depreciation charged..	62,766	
14,227		Directors' Remuneration, including Fees £3,373 (1962–63—£3,601)	13,639	
3,917		Audit Fees (Holding Company £105) ..	3,924	
45,548		Debenture Interest	42,470	
2,981		Further Provision for Claims against the Holding Company	—	
(Cr.) 1,136		Proportion of losses applicable to Minority Interests	(Cr.) 7,048	
	125,312			115,751
	(Profit) 158,470	**Loss for Period applicable to Group** ..		72,569
	15,242	*Add* Development Expenditure in year written off		27,993
		Provision against Pre-Operating Costs of Overseas Subsidiary	20,424	
	—	*Less* Proportion applicable to Minority Interests	10,008	10,416
	143,228			110,978
		Balances at beginning of Period brought forward:		
(Cr.) 11,658		Holding Company	(Cr.) 83,610	
(Dr.) 208,250		Subsidiary Companies	(Dr.) 149,091	
	196,592			(Dr.) 65,481
	(Dr.) 53,364	Carried forward		(Dr.) 176,459

1962–63 (53 Weeks) £	1962–63 (53 Weeks) £		£	£
	(Dr.) 53,364	Brought forward		(Dr.) 176,459
		Amounts written off former Group Interests:		
(Cr.) 6,379		Subsidiaries now being wound up ..	(Dr.) 8,193	
(Cr.) 1,000		Transfer from General Reserves	—	
	7,379			8,193
	45,985			184,652
		Taxation:		
		Profits Tax for year	1,332	
		Income Tax, 1963–64	4,802	
		Provision for Future Income Tax, 1965–66	4,778	
	(Cr.) 41,481	Overseas Taxes	8,150	19,062
	4,504			203,714
		Preliminary Expenses in respect of new Subsidiary Company written off ..	1,795	
		Less proportion applicable to Minority Interests	808	987
	6,850			
	11,354			204,701
	—	**Profit on sale of Property and Lease** ..		254,551
	11,354			(Cr.) 49,850
		Net Dividends of Holding Company:		
1,858		Preference, as paid	1,858	
52,269		Ordinary, as recommended	—	
	54,127			1,858
	(Dr.) 65,481			(Cr.) 47,992
		Balances at 3rd May, 1964, carried forward per Consolidated Balance Sheet:		
(Cr.) 83,610		Holding Company	(Cr.) 281,306	
(Dr.) 149,091		Subsidiary Companies	(Dr.) 233,314	
	(Dr.) £65,481			(Cr.) £47,992

WILLIAMS & WILLIAMS (RELIANCE HOLDINGS) LTD.

Notes on Accounts
for the 52 weeks ended 3rd May, 1964

GENERAL:

For the sake of administrative convenience the Accounts of the United Kingdom Companies were closed on 3rd May, 1964, and cover a period of 52 weeks.

The Accounts of the Overseas Companies were closed, as hitherto, on 30th April, 1964.

HOLDING COMPANY:

(a) At 3rd May, 1964, there were Contingent Liabilities of:
 (i) £75,000 in respect of a Guarantee regarding an Overseas Subsidiary's Bank Overdraft. The actual Overdraft was £19,636.
 (ii) Guarantees given on behalf of former Subsidiaries, £17,320.
(b) The Company's Bankers hold one Debenture for £250,000, ranking pari passu with the £655,400 6% Debenture Stock shown in the Balance Sheet. The Debenture for £250,000 is a collateral security for such overdraft facilities as may be arranged from time to time between the bankers and the Company.
(c) At 3rd May, 1964, there were no commitments in respect of Capital Expenditure or Capitalisation of Subsidiary Companies. (5th May, 1963—£23,748.)

GROUP:

(a) There were no changes in the Capital and General Reserves during the year.
(b) Commitments in respect of Capital Expenditure at 3rd May, 1964, were approximately £103,000 (last year—£35,000).
(c) During the year one of the Subsidiary Companies spent £77,993 on the development of new products, including cost of licences. £27,993 has been written off at 3rd May, 1964, leaving £50,000 to be carried forward.
(d) There is a Contingent Liability of £90,000 under a Performance Bond in respect of an overseas contract.
(e) Additional United Kingdom taxes would be payable if that part of the balances on Profit and Loss Account which relates to Overseas Subsidiaries were transferred to this country.
(f) The Accounts of certain Subsidiaries incorporated overseas have not been consolidated as, in the opinion of the Directors, they would be of no real value to the Members in view of the insignificant amounts involved. Any losses have been fully provided for in these Accounts.

interim reports 'caused us more and more concern'. Their preliminary, written report was received in July and Mr Hogg, on behalf of the board, thanks them for their speed in action and 'for their most valuable advice which we are following'.

Further to the loss in the accounts, provision has been made to write off £27,993, proportion of development expenditure up to May 3rd, 1964, and £20,424 un-amortized pre-operating costs of one of the African subsidiaries of which £10,008 relates to minority interests. The loss is thus increased to £110,978.

Every company in the group has been instructed to prepare full and detailed accounts to the end of last August, stocks being physically taken and work in progress valued on proper defined bases.

CITY NOTES

WHATEVER views may be held on Mr Callaghan's first Budget it has at least provided the stock-market with some facts on which to work. To that extent some degree of uncertainty has been removed.

There are, however, still too many unknown quantities left for any true investment answer to be worked out. Is there any combination of facts and factors now which can be calculated to change investment opinion from the defensive to the offensive?

Tentative investment will not inspire the market as a whole and it will be surprising if the stock-market shows any real degree of strength in the near future.

* * * *

THE latest issue of *The Building Societies Gazette* makes the point that eighty-nine societies within the Building Societies Association are currently offering higher rates to investors than those recommended by the Association, and of these, forty-seven are in the Metropolitan area. It has been proved in the past that a very large society can operate with a slightly lower investor's rate than the general rule. But the *Gazette* wonders whether at some time in the future a three-tier system will be in operation, the very large societies offering a slightly lower investor's rate and the small ones a slightly higher rate than the majority.

QUESTIONING the possibility of attaining a 4 per cent growth rate, Professor Alan Day, Professor of Economics in the London School of Economics, writing in the *Westminster Bank Review*, considers that, on the best estimate, output over the next five years can grow at something like 3¼ per cent a year.

He admits, however, that 'the myth of 4 per cent' has a social role, although it becomes dangerous when treated as a description of reality. Professor Day criticizes the National Economic Development Council for failing to justify its claim that 4 per cent can be achieved.

* * * *

THE recent announcement of the formation of a new international factoring service in Britain is the outcome of more than two years' negotiation between Hambros Bank, Walter E. Heller & Co, of Chicago, The Continental National Bank, of Illinois, and Keep Bros, of Birmingham. The company, known as H. and H. Factors Ltd, will operate from offices in Marylebone Road, London NW1.

Its object is to provide finance and business expertise to encourage expansion not only domestically but also with all geographical areas of the U.S.A. by relieving companies of the responsibility of collecting debts, arranging credits and recovering bad debts.

RATES AND PRICES

Closing prices, Wednesday, November 11th, 1964

Tax Reserve Certificates: interest rate 19.3.64 2¾%

Bank Rate

July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%

Treasury Bills

Sept. 4	£4	13*s*	1·26*d*%	Oct. 9	£4	13*s*	0·96*d*%
Sept. 11	£4	13*s*	0·57*d*%	Oct. 16	£4	14*s*	0·69*d*%
Sept. 18	£4	13*s*	0·70*d*%	Oct. 23	£4	14*s*	5·44*d*%
Sept. 25	£4	13*s*	0·80*d*%	Oct. 30	£4	13*s*	11·61*d*%
Oct. 2	£4	13*s*	0·44*d*%	Nov. 6	£4	13*s*	5·09%

Money Rates

Day to day	3⅜–4⅝%	*Bank Bills*	
7 days	3¼–4½%	2 months	$4\frac{13}{16}$–4⅞%
Fine Trade Bills		3 months	$4\frac{13}{16}$–4⅞%
3 months	5¾–6¼%	4 months	$4\frac{13}{16}$–4⅞%
4 months	5¾–6¼%	6 months	4⅞–$4\frac{15}{16}$%
6 months	6–7%		

Foreign Exchanges

New York	2·78$\frac{13}{32}$	Frankfurt	11·07$\frac{5}{16}$
Montreal	2·99$\frac{7}{32}$	Milan	1739⅜
Amsterdam	10·00½	Oslo	19·95⅛
Brussels	138·14	Paris	13·64⅛
Copenhagen	19·30⅛	Zürich	12·01¼

Gilt-edged

Consols 4%	65¾	Funding 3% 59–69	90$\frac{7}{16}$
Consols 2½%	42	Savings 3% 60–70	87$\frac{5}{16}$
Conversion 6% 1972	103$\frac{5}{16}$	Savings 3% 65–75	77$\frac{13}{16}$
Conversion 5¼% 1974	95¾xd	Savings 2½% 64–67	93$\frac{3}{16}$
Conversion 5% 1971	98	Treas'ry 5½% 2008–12	91$\frac{5}{16}$
Conversion 3½% 1969	91$\frac{9}{16}$	Treasury 5% 86–89	86$\frac{15}{16}$
Conversion 3½%	57½	Treasury 3½% 77–80	75⅜xd
Funding 5½% 82–84	96$\frac{1}{16}$	Treasury 3½% 79–81	75⅝
Funding 4% 60–90	92$\frac{11}{16}$	Treasury 2½%	41½
Funding 3½% 99–04	65$\frac{5}{16}$	Victory 4%	97¾
Funding 3% 66–68	91$\frac{1}{16}$	War Loan 3½%	57

CHARTERED INSTITUTE OF SECRETARIES

New Premises Opened by Queen Mother

The new headquarters of The Chartered Institute of Secretaries at 16 Park Crescent, London W1, were opened on Thursday of last week by the Queen Mother. Also present at the opening ceremony were the Mayor and Mayoress of St Marylebone, the President, Vice-Presidents, members of Council and the Secretary of the Institute, the architect of the new premises and other guests.

The Institute was founded in 1871, and for the first thirty-seven years of its existence occupied a number of different offices in the City. In 1925 it purchased the freehold Hall of the Worshipful Company of Curriers at 6 London Wall, which it occupied from 1928 until the night of December 29th, 1940, when the building was totally destroyed by enemy action. After a number of temporary addresses the Institute took possession of 14 New Bridge Street – the former home of the Bridewell Royal Hospital, a charitable foundation established by Royal Charter in the reign of Edward VI, following a gift by his father of the Bridewell Royal Palace to the Corporation of London. However, after the Institute had been in possession of the premises for some eight years, the Governors of the Hospital obtained permission to redevelop the site, and the Institute took steps to find a more permanent home.

The new building in Park Crescent, occupying a corner site, has been reconstructed to the original design of John Nash. Nash planned the original building in 1812, but it was not finally completed until 1825.

Owing to the restricted accommodation, the assembly at the opening ceremony was necessarily limited, but members may view the new premises on November 25th and December 1st from 5.30 to 10 p.m. on application for tickets from the Secretary of the Institute.

Queen Mother's Address

After an address of welcome to Her Majesty by the President of the Institute, Mr Edmund A. Burley, F.C.I.S., the Queen Mother declared the new premises officially opened. In the course of her speech Her Majesty said:

'It gives me much pleasure to be with you today on this important occasion in the Institute's history. Although it was only some seventy years ago that the Institute was first founded, it has come to occupy a very special place in the public life of this country and the Commonwealth. The profession it represents is a very ancient one, dating certainly from the days of the Pharaohs. The particular skills required of its members have certainly changed since then, but I doubt whether there has been much change in their essential function.

'Good secretaries, now as at any time, have always combined persuasiveness with a very remarkable efficiency. It is true that they no longer have to deal, as in medieval days, with masters who can neither read nor write – though no doubt they may sometimes be tempted to think so – but they still have their own special knowledge and skills.

Queen Elizabeth the Queen Mother holding a quill pen presented to her by Mr Edmund A. Burley, F.C.I.S., President of the Chartered Institute of Secretaries, after she had opened the Institute's new premises last week. On the left is Miss Caroline Douglas-Home, Lady-in-waiting.

'The Institute made its mark from the very beginning. It was a high tribute to its work that within eleven years of its first foundation it was granted a Royal Charter. Since then it has developed both in size and in the range of its activities, and has kept in line with the expansion and growing complexity of industry and commerce. At no time, I believe, has the need for skilled and highly trained secretaries been more clearly recognized than now; and the Institute has responded magnificently to the need.

'I am particularly happy to see, Mr President, that 600 of your members are women. I am sure that this is a field in which they will have an increasingly important part to play, as in the whole of the professional life of the country. It was, I believe, in 1909 that the first overseas branch of the Institute was established, and since then many other branches have been set up in Commonwealth countries.

'It might be said that London itself is changing as rapidly as the Commonwealth. All around us new buildings are rising. How fortunate when it is possible both to preserve the beauty and elegance of the eighteenth century and to provide the most modern and enlightened working conditions. That is what has been done in these premises in Park Crescent. Those responsible for rebuilding this beautiful terrace to conform with the original Nash design have made a notable contribution to the beauty of this city. In matching the best features of the past with the needs of a new age they have offered a challenge which I am confident that the Institute will meet.'

Presentation to Her Majesty

To commemorate the occasion, the President asked Her Majesty to accept the gift of a quill pen, made from the feather of a secretary bird – the secretary bird forms part of the Institute's coat of arms.

Correspondence

The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Challenge to Accountants

SIR, – As one of the accountants who participated in the exchange of letters in *The Financial Times* recently with regard to return on capital employed etc., may I comment on your editorial of September 12th.

Whilst I agree with the majority of your comments regarding 'the need for clearer explanations and the meaning of the figures in the accounts', I must cross swords on the comments that 'to many people the image of the accountant is rather blurred and smudgy and this impression was probably heightened by the fact that some of the accountants who joined in the debate were unable to agree on such points as defining capital employed'. This statement implies that there is a straightforward answer. Perhaps you will let me know what it is. We've tried hard and argued long with many accountants and others.

If now you have got the answer don't hold out on us. Tell us please!

Yours faithfully,

Manchester 20. J. WILSON, A.C.W.A.

[Our comment was directed to the fact that the profession's image is not improved when accountants engaged in public debate cannot agree on the meaning of the terms which they use in their arguments. Major areas of controversy are the basis of valuation adopted for fixed assets (i.e. current value, original cost or net book value), whether to include or exclude current liabilities, and the extent to which (if at all) a bank overdraft or term loan should be treated as capital employed.

We did not suggest that we had the answers to questions such as these and it is for accountants themselves to resolve their differences of opinion. The whole subject of capital employed is a fruitful field for further fundamental accounting research and the professional bodies could usefully offer some guidance or sponsor a project directed to this end. – Editor.]

Back Duty Inquiries

SIR, – I regret that, apart from private correspondence, my letter in your issue of August 29th under the above heading has met with no response. I should like to extend my comments on present procedure by reference to a current case with which I have been concerned.

Assessments for so-called out-of-date years were issued, purporting to be authorized by the provisions relating to fraud, wilful default or neglect. When it was pointed out that, on appeal, the onus to be discharged would rest with the Revenue and information was sought as to what evidence of such fraud, etc., would be forthcoming, a matter-of-fact reply was received to the effect that there was none and that, in the circumstances, it might be possible to agree to have the assessments discharged. This seems to me to be equivalent to an admission that there was an attempt to obtain money by false pretences.

If this sort of procedure represents normal practice of the department, the unsophisticated might wonder why it does not concern the Director of Public Prosecutions.

Yours faithfully,

Leicester. CECIL A. NEWPORT.

Plant Development Reserve

SIR, – In the 'Finance and Commerce' section of your issue of October 3rd, you ask in a humorous vein: 'When is a "Plant Development Reserve" not a plant development reserve?' It would certainly seem that the directors of Breedon & Cloud Hill Lime Works

Ltd disposed of their new-born child with almost indecent haste but it does give me the opportunity to raise a similar question: When is a Plant *Replacement* Reserve not a plant replacement reserve?

Most people in these inflationary days seem to be agreed that it is not sufficient to calculate book depreciation on original cost but that a further charge should be made against profits for the difference between depreciation calculated on replacement values and depreciation calculated on cost, such additional charge usually being credited to a plant renewal reserve. Little mention is made, however, of what one is finally to do with such a reserve. Is one to let it go on growing indefinitely? How is one to determine when and how much of the reserve created in the past can be considered as having actually been spent on renewals, etc.? I have in mind in this connection not just one small company but, for example, a large group of companies with many different interests.

If any of your readers have seen any interesting practical suggestions on this subject, I should be most grateful to hear of them. I must underscore the word 'practical', because so much of the literature one sees these days on accounting under inflationary conditions sounds very nice in theory but would be quite hopeless in practice.

Yours faithfully,
Pallens s/Montreux, Switzerland. A. S. HAYWOOD, F.C.A.

Paid Cheques

SIR, – Your correspondents, Hobbs, Peskett & Co (October 10th issue) are jumping to conclusions when they suggest that banks intend 'to destroy the last evidence (of a receipt) for the sake of streamlining method'. Paid cheques which are not returned to customers with statements of account are filed away by the bank concerned and retained for a period of years. Nor is any new principle involved in the recent action by one of the 'Big Five' banks in suggesting that customers might prefer this practice; it has been in operation by some banks in parts of the country for years.

Yours faithfully,
London EC3. J. A. HUNSWORTH,
Secretary,
BANKING INFORMATION SERVICE.

Union of Chartered Accountant Students' Societies

Following the meeting held on March 3rd last between the Liaison Committee of the Union of Chartered Accountant Students' Societies and members of the Council of The Institute of Chartered Accountants in England and Wales (an interim statement regarding which appeared in *The Accountant* of April 11th), the Council has now authorized the publication of this commentary, copies of which are being made available for students' societies to distribute to their members.

Premiums for Articles

The Liaison Committee urged the prohibition of the charging of premiums for articles.

The Articled Clerks Committee has decided not to recommend the prohibition of premiums. The practice of charging a premium is now so exceptional that it is considered to be insignificant. There are on record only twenty-nine cases in 1963 where a premium of over 10 guineas was paid on entry into articles, out of a total of over three thousand five hundred registrations. Formal action by the Council to abolish or regulate the charging of premiums is thus considered unnecessary.

Contact with Universities

The Liaison Committee urged the Council to promote closer links with the universities and the projected schools of business and/or management studies in the interests of the future status of the profession.

The Education Committee has considered the discussion at the meeting. It wishes it to be known that it is fully aware of the importance of developing closer relations with universities and similar institutions. This is to be desired from the points of view of teaching, research and, indirectly, recruitment. The committee welcomes in particular the plans to associate the universities with the work of the Research Committee of the Institute.

Internal and External Degrees

The Liaison Committee suggested that the regulations of the Institute were anomalous in that exemption from the Intermediate examination was offered to a graduate only if he were a full-time internal student who had followed a professionally relevant 'approved' degree course. A graduate who had covered a similar course part-time or full-time as an external student was denied exemption. No similar distinction was drawn in relation to their entitlement to serve for only three years in articles.

The implications for the Institute of the Robbins Committee report are now being considered. The development of external degree courses similar in many respects to internal 'approved' degree courses will be borne in mind. Whether or not further concessions should be given to the holders of relevant

external degrees will be examined in the wider context of educational developments generally, and their effect upon the Institute.

The Wider Education of Articled Clerks

The Liaison Committee expressed concern at the lack of support given by students to students' society events, which were not specifically directed to the examination syllabus; this despite the efforts of students' committees and of the Council to promote interest amongst principals and their clerks in the importance of students' societies, and inquired what more could be done to remedy this situation.

The Council has always regarded the students' societies as a medium for the wider professional education of articled clerks, in particular the promotion of a corporate sense amongst students. The demands of the examination syllabus on students has, it is true, meant that some are disinclined to attend functions with no direct bearing on the examinations. Hence the concern felt by students' societies and the Council at the relatively small proportion of active members.

Developments in the promotion of oral tuition at colleges of further education and elsewhere offer new opportunities and a new challenge to students' societies. A joint subcommittee of the Education, Articled Clerks and District Societies Committees is about to examine the future role of the students' society in the education and training of articled clerks. It will cover questions of finance, as well as of policy, and will thus have in mind the representations made by the Liaison Committee on grants to meet the lecture expenses of the smaller societies remote from London.

Full-time Courses for Articled Clerks

The Education Committee has noted the desire of a majority of the Union Conference to see an extension of full-time courses for articled clerks. It is the present policy of the Council to ensure through district education subcommittees the creation at specified centres of courses supplementary to the customary correspondence method of tuition, and to do so to as great an extent as is consistent with the effective acquisition by students of both knowledge and experience.

At the Blagdon Conference (July 1964) representatives of colleges, universities, private tutorial establishments and the Institute were generally agreed that reliance on correspondence tuition as the core of professional training was necessary for many students and that the practicable immediate objective was the provision of directional and revisionary courses, preferably by full-time block release, with sessional tutorial guidance where possible in between, mainly in the evenings. Such a pattern takes account of the prescribed conditions of articled service and the provisions in articles for the granting of study and examination leave approaching a total of six months in most cases.

Whilst the conclusions of the Blagdon Conference are not Council conclusions, they are not inconsistent with the Council policy referred to above.

September Intermediate Examination

The Liaison Committee commented on the inconvenience for various reasons of the holding of an examination in September.

The Examination Committee has considered the submissions made, mainly by reference to the difficulty of planning courses and interference with annual holidays, about the holding of the new Intermediate examinations in September. Whilst it acknowledges that there may be some difficulty initially in arranging courses, it has noted that revision courses at colleges of further education during what is traditionally the long vacation, can be held and have indeed been held in the summer of 1964. It is also aware that some colleges see advantages in holding a revision course in July, the student being left with time after the course to consolidate his knowledge and concentrate on his weakness by private study.

September and March were selected as examination months mainly having regard to the phasing during his articles of a student's preparation for each stage of examination. It was also expected that the staggering of the obligation to give pre-examination leave would reduce the strain upon the organization of work in principals' offices. There were, moreover, advantages in the administration of the examinations, including in particular the availability of examination halls, in avoiding the holding of all three examinations in the months of May and November.

Examination Fees

The suggestions made by the Liaison Committee for transferring or redistributing the incidence of examination costs by various means are receiving consideration.

It remains the principle of the Council that so far as possible, its expenditure shall be recovered from those deriving most benefit from it. This principle led to the policy of recovering from the student body the cost of administering student affairs and examinations. The relevant present sources are exemption and examination fees, which are fixed to do no more than recover those costs, any surplus being carried forward. A modification of the present method of recovery could require an adjustment of membership fees, or the admission fee, or the introduction of a student registration fee, all of which would require the passing of bye-laws.

Reduction in Articles for Qualified Accountants

The Liaison Committee suggested that concessions should be given to qualified accountants who wish to become members of the Institute.

There is in the opinion of the Council sufficient opportunity under bye-laws 52 *(c)* and 64 *(b)* to enable members of other bodies of accountants to enter into articles and to secure a reduction in the term of articled service. These bye-laws require an applicant to have had ten years of acceptable experience after reaching age 17. They do not apply expressly to members of other accountancy bodies but the possession by an applicant of another accountancy qualification is taken into account by the Articled Clerks Committee in considering the application.

The Council would not wish to offer exemptions or concessions to students by reference only to the possession of another professional qualification.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, November 4th, 1964, at the Institute's temporary offices at City House, 56/66 Goswell Road, London EC1, there were present:

Mr W. Guy Densem, President, in the Chair; Mr Robert McNeil, Vice-President; Messrs J. F. Allan, G. R. Appleyard, W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, C. J. M. Bennett, Sir Henry Benson, C.B.E., Messrs G. T. E. Chamberlain, D. A. Clarke, C. Croxton-Smith, E. Hay Davison, W. W. Fea, Sir Harold Gillett, Bt, M.C., Messrs J. Godfrey, G. G. G. Goult, P. F. Granger, L. C. Hawkins, C.B.E., J. S. Heaton, J. A. Jackson, H. O. Johnson, R. O. A. Keel, Sir William Lawson, C.B.E., Messrs R. G. Leach, C.B.E., R. B. Leech, M.B.E., T.D., E. N. Macdonald, D.F.C., J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., S. J. Pears, F. E. Price, L. W. Robson, J. D. Russell, R. G. Slack, D. Steele, A. H. Walton, R. Walton, F. J. Weeks, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., T.D., E. K. Wright, Sir Richard Yeabsley, C.B.E.

Conduct Section of the Members' Handbook

The Council approved the statement on *The issue of booklets by members* for inclusion in the next supplement to the *Members' Handbook*.

The statement is reproduced on pages 609 and 610 of this issue.

Interest on Client's Money Placed on Deposit

The Council agreed that the attention of members should be drawn to the decision of the House of Lords in *Brown v. C.I.R.* ([1964] 3 All E.R. page 2, 119; [1964] 3 W.L.R. 511.)

The case concerned the right of a solicitor to claim earned income relief on interest received by him in respect of clients' money placed on deposit which was not allocated to or earmarked for any particular client. The House of Lords decided that such interest did not become the property of the solicitor, and the question whether it should rank as earned income therefore did not arise.

The Council of the Institute has under consideration the implications of this decision both generally and in relation to members who themselves hold clients' money on deposit and members who report on solicitors' accounts under the Accountant's Certificate Rules, 1946. It is proposed to issue a further statement in due course.

In consequence of the decision it seems clear that, if (although in compliance with The Law Society's previous statement that such action was permissible) interest received by a solicitor on clients' money in a mixed client deposit account has been credited to his office account, the Accountant's Certificate must be qualified in that respect.

Union Européenne des Experts Comptables

It was reported that Mr C. Evan-Jones (Joint Secretary) had attended the meeting of the Exécutif des Présidents of the U.E.C. in Scheveningen on October 16th and 17th, 1964, in the capacity of Technical Adviser.

Nederlands Instituut van Accountants

It was reported that the President (Mr W. Guy Densem) and Mr C. Evan-Jones (Joint Secretary) had attended the annual 'Accountantsdag' of the Nederlands Instituut van Accountants in Scheveningen on October 17th, 1964.

City of London College

It was reported that Mr R. P. Matthews, B.COM., J.P., F.C.A., had been appointed by the Institute a member of the Governing Body of the City of London College.

P. D. Leake Committee

Mr A. H. Walton, F.C.A., was appointed to serve on the P. D. Leake Committee.

London and District Society Committee

Mr E. F. G. Whinney, M.A., F.C.A., was appointed to serve on the Committee of the London and District Society of Chartered Accountants for the year 1964–65.

Chartered Accountants Trustees Ltd

The Council received and authorized publication of the seventh report of the directors of Chartered Accountants Trustees Ltd, together with the accounts of the company for the year to May 31st, 1964, and the accounts for that year of the Chartered Accountants' Retirement Benefits Scheme (CARBS) and the Chartered Accountants' Employees Superannuation Scheme (CAESS).

Registration of Articles

The Secretary reported the registration of 261 articles of clerkship during September, the total number since January 1st, 1964 being 1,716.

Admissions to Membership

The following were admitted to membership of the Institute:

Alers-Hankey, Ian Raymond, A.C.A., *a*1964; 'Westcombe', Culmhead, Taunton, Somerset.

Bramall, Graham Stuart, B.A.(ECON.), A.C.A., *a*1964; 6 Carlton Road, Sheffield 6.

Burgess, Roger Michael, A.C.A., *a*1964; Little Briarwood, Woodbridge, Sussex.

Burton, Christopher Paul, A.C.A., *a*1964; Rush Court Gardens, Wallingford, Berks.

Gaisford St-Lawrence, John Francis, A.C.A., *a*1964; 43 Tedworth Square, London SW3.

Lund, Howard Nicholas, A.C.A., *a*1964; Holywych House, Cowden, Kent.

Lye, Donovan Henry Charles, A.C.A., *a*1964; 162 Westbourne Park Road, London W11.

Neame, Simon Douglas Richard, A.C.A., *a*1964; Valley Farm, Blackford, Yeovil, Somerset.

Plummer, Michael Anthony, B.A., A.C.A., *a*1964; Flat 5, 72 Putney Hill, Putney, London SW15.
Rogers, Peter Harold, A.C.A., *a*1964; 2 Onslow Gardens, South Kensington, London SW7.
Sharp, Robert Walter, A.C.A., *a*1964; 19 Parkgrove Road, Barnton, Edinburgh.
Trubshaw, Charles William, A.C.A., *a*1964; 24 Duchy Road, Harrogate.

Fellowship

The Council acceded to applications from sixteen associates to become fellows under clause 6 of the supplemental Royal Charter.

Incorporated Accountant Members Becoming Associates

The Council acceded to applications from the following incorporated accountant members for election as associates under clause 6 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter:

Brooker, Alan Walter, A.S.A.A., *a*1961; with R. H. March, Son & Co, Daviot House, Lombard Street West, West Bromwich.
Evans, William Arnold, A.S.A.A., *a*1961; with Prideaux, Frere, Brown & Co, 12 Old Square, Lincoln's Inn, London WC2.
Loveless, Brian Charles, A.S.A.A., *a*1961; with Charles Prince & Co, 24 Southernhay East, Exeter.
Ogunmokun, Adekunle, A.S.A.A., *a*1961; with Knight, Bland & Co, High Road Chambers, 3 Grosvenor Road, Ilford, Essex.
Sheldon, Jack Cecil, A.S.A.A., *a*1961; with Samuel Kaye, Shanson & Co, Lauder House, 11/12 Bartholomew Close, Little Britain, London EC1.
Twena, Ernest Nissim, A.S.A.A., *a*1961; with Ford, Rhodes, Williams & Co, 4B Frederick's Place, Old Jewry, London EC2.
Warburton, Harold, A.S.A.A., *a*1961; with Peat, Marwick, Mitchell & Co, 7 St James's Square, Manchester 2.
Williams, Arthur Barrie, A.S.A.A., *a*1961; with Dearden, Harper, Miller & Co, Croxley House, 14 Lloyd Street, Albert Square, Manchester 2.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Aldington, Timothy Richard, A.C.A., *a*1962; Aldington, Navesey & Co, 151 High Street, Teddington, Middlesex.
Allen, David Watson, A.C.A., *a*1960; Frank Downing & Co, Rectory Chambers, 24 Norfolk Row, Sheffield 1.
Aris, Peter James Perkins, A.C.A., *a*1958; 14 Bolters Road South, Horley, Surrey.
Ball, David Edward, A.C.A., *a*1960; S. C. Parker & Co, 15 Bridge Road, Wellington, Salop, and at Newport, Salop.
Barrington, Raymond Lewis, A.C.A., *a*1963; †Peat, Marwick, Mitchell & Co, 7 St James's Square, Manchester 2, and at London
Brassett, Peter George, A.C.A., *a*1964; Clarkson, Hyde & Co, Prudential Buildings, 5 High Street, Romford, Essex, and at London.
English, Arthur Robert, F.C.A., *a*1927; 65 Monkhams Avenue, Woodford Green, Essex.
Fetterman, Norman, A.C.A., *a*1964; Fetterman & Co, 14 Heath View, London N2.
Gascoigne, Allan Anthony, A.C.A., *a*1960; 45 Philip Avenue, Nuthall, Notts.
Gillespie, Francis, A.C.A., *a*1960; George C. Wilkinson & Co, South House, 136 Borough Road, Middlesbrough, and at Redcar.
Hague, Terence Alan, A.C.A., *aS*1956; Beal, Young & Booth, 9 Cumberland Place, Southampton, and at Eastleigh.
Harrison, Eric John, F.C.A., *aS*1940; *H. E. T. Botting & Co, 28 High Street, Littlehampton.
Hewitt, David Stuart, A.C.A., *a*1958; †Whinney, Smith & Whinney, Midland Bank Buildings, Spring Gardens, Manchester 2.
Hicks, Leslie George, A.C.A., *a*1954; Hyland, Riches & Raw, 7 Southampton Place, Holborn, London WC1.
Hill, Stephen, A.C.A., *a*1960; Grundy, Middleton & Co, 34 Princess Street, Manchester 1.
Hiller, Robin John Cecil, A.C.A., *a*1957; Annan, Dexter & Co, 21 Ironmonger Lane, London EC2, and at Leeds.
Jones, Hywel Rees, A.C.A., *a*1964; *David R. Jones & Son, Martins Bank Chambers, High Street, Wrexham.
Joseph, Erich, A.C.A., *a*1963; Wood, Albery & Co, 40/42 Copthall Avenue, London EC2, and 146 Bishopsgate, London EC2.
Libson, John Leslie, M.A., A.C.A., *a*1964; Nyman Libson, Paul & Co, 53 Queen Anne Street, London W1.
Locke, Anthony Paul, A.C.A., *a*1962; Anthony Locke & Co, 51/52 Piazza Chambers, Covent Garden, London WC2.
Lovely, Ronald, F.C.A., *a*1947; †Price Waterhouse & Co, 31 Mosley Street, Newcastle upon Tyne 1.
Martins, Jacob Stanislaus, A.C.A., *a*1959; John Diamond & Co, Portland House, 73 Basinghall Street, London EC2.
Mason, Alvin Alastair, F.C.A., *a*1952; †Whinney, Smith & Whinney, 4B Frederick's Place, Old Jewry, London EC2.
Miles, Leslie Collins, A.C.A., *a*1958; Metherell Gard & Co, Lloyds Bank Chambers, Bude, and at Holsworthy and Launceston.
Mitcham, Arthur David, A.C.A., *a*1958; *Michael Hall, Hughes & Mitcham, 1 Cornhill, Ilminster, Somerset.
Moorby, Timothy John, A.C.A., *a*1961; †Paterson & Thompson, Knapton House, 12 Lower Brook Street, Ipswich.
Morgan, Robert William, A.C.A., *aS*1955; Russell, Durie Kerr, Watson & Co, Lombard House, Great Charles Street, Birmingham 3, and at London.
Munro, Neil John Tarry, A.C.A., *a*1964; Crowther, Davies & Co, 41 Dover Street, Piccadilly, London W1.
Navesey, Michael Anthony, A.C.A., *a*1962; Aldington, Navesey & Co, 151 High Street, Teddington, Middlesex.
Oury, Richard Anthony, A.C.A., *a*1964; Walter H. Oury & Co, 62 High Street, Slough, and at Maidenhead.
Poole-Connor, Murray, A.C.A., *a*1961; Orr, Shotliff & Co, 160 Piccadilly, London W1.
Pullan, John Rushworth, F.C.A., *a*1936; 24 St Chad's Rise, Leeds 6.
Roddis, John Roland, A.C.A., *aS*1955; *McBroom & Co, 275 Ecclesall Road, Sheffield 11.
Scott, Peter Cyril, A.C.A., *a*1958; Sugden, Knox & Bailey, 1A Hustlergate, Bradford 1.
Shaw, Edward Charles, F.C.A., *a*1950; †Peat, Marwick, Mitchell & Co, Airedale House, Albion Street, Leeds 1, and at Bradford, Cleckheaton and Harrogate.
Solomon, Edward Samuel Elizer, A.C.A., *a*1964; 36 Grove Crescent, Kingsbury, London NW9.
Thompson, Oliver Howard, B.A., F.C.A., *a*1952; †Peat Marwick, Mitchell & Co, 11 Ironmonger Lane, London EC2.

---

a Indicates the year of admission to the Institute.

aS Indicates the year of admission to The Society of Incorporated Accountants.

Firms not marked † or * are composed wholly of chartered accountant members of the Institute.

†Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

*Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

Thornber, Anthony Frederic, A.C.A., *a*1962; Hopkinson & Pollard, Blackburn Assurance Building, 1 Stanley Street, Accrington.
Waxman, Anthony, A.C.A., *a*1958; Aubrey Rothburn, Taylor & Co, Speaker's House, 39 Deansgate, Manchester 3.
White, George William Albert, D.F.C., A.C.A., *a*1959; Jones, Avens, Worley & Co, 187B West Street, Fareham, Hants.
Whinney, Frederick John Golden, A.C.A., *a*1960; †Whinney, Smith & Whinney, 4B Frederick's Place, Old Jewry, London EC2.
Yorke, William, A.C.A., *aS*1956; George C. Wilkinson & Co, South House, 136 Borough Road, Middlesbrough, and at Redcar.

Re-admission to Membership

Subject to payment of the amount required by the Council, one former member of the Institute was re-admitted to membership under clause 23 of the supplemental Royal Charter. One application under clause 23 was refused.

It was reported to the Council that the following re-admissions, made at the Council meeting on October 7th, 1964, subject to payment of the amounts required had become effective:

Sier, Horace Evelyn, F.C.A., *a*1903; 18 Crown Lane Gardens, Crown Lane, Streatham, London SW16.
Simpson, Maurice Clifford, A.C.A., *a*1959; 87 Shackerdale Road, Leicester.

Change of Name

The Secretary reported that the following changes of name have been made in the Institute's records:

Davies, Ian Lloyd, to Lloyd-Davies, Ian.
Shah, Shujaul Bakht, to Shah, Shuja Bakht.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Patrick Stuart James Gordon, F.S.A.A., Folkestone.
„ Michael Alan Horsley, F.C.A., London.
„ Ernest Reginald Partridge, F.C.A., Guildford.
„ Cecil Bernard Richmond, F.C.A., Manchester.
„ Percy Russell, F.C.A., Dartmouth.
„ Geoffrey Bramley Smith, F.C.A., Derby.
„ Eric Teesdale, F.C.A., New York.

Mr F. M. Wilkinson, F.C.A.

The Council received with great regret a report that Mr Wilkinson, Joint Secretary, who has been on sick leave since March 1st of this year, is retiring on December 31st, 1964, as a result of ill health.

Mr Wilkinson joined the staff of the Institute in May 1944. He was appointed an Assistant Secretary in January 1946; Deputy Secretary in January 1960 and Joint Secretary in November 1962.

The Council placed on record its appreciation of Mr Wilkinson's outstanding contribution to the work of the Institute and asked the President to convey to him its best wishes for his future health and happiness.

The Council appointed Mr C. A. Evan-Jones (presently Joint Secretary) as Secretary of the Institute with effect from January 1st, 1965.

Technical Officer

Mr D. W. Hooper, M.A., F.C.A., has been appointed Technical Officer and will be taking up his appointment on November 23rd, 1964. Mr Hooper is at present Chief Organizing Accountant with the National Coal Board.

MEMBERS' LIBRARY

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

Accounting for Industrial Management; by R. Sidebotham. 1964. (Pergamon Press, 25*s.*)
Accounting Research and Terminology Bulletins: final edition. (American Institute of Certified Public Accountants.) New York. 1961. (A.I.C.P.A., 52*s.*)
The Architect's Guide to Running a Job; by R. Green. 1962. (Architectural Press, 16*s.*)
Compulsory Purchase and Compensation; by D. M. Lawrance. 1963. (Estates Gazette, 50*s.*)
Corpe on Road Haulage Licensing; by T. D. Corpe: second edition; by Elizabeth Havers and I. R. D. Jenkins. 1964. (Iliffe, 45*s.*)
Costing in the Bakery: an introduction to profit planning and materials control . . .; by L. J. Puddefoot. 1964. (David Sharp, 22*s* 6*d.*)
Death Duty Mitigation; by H. D. Argent: second edition. 1964. (Business Publications, 40*s.*)
The Economics of the Developing Countries; by H. Myint. 1964. (Hutchinson, 30*s.*)
The Elements of Income Tax and Profits Tax Law; by C. N. Beattie: sixth edition. 1963. First supplement 1964. (Stevens, 37*s* 6*d* and 3*s* 6*d.*)
Guide to Company Balance Sheets and Profit and Loss Accounts; by F. H. Jones: sixth edition. Cambridge. 1964. (Heffer, 63*s.*)
Internal Audit in Local Authorities and Hospitals; by W. L. Abernethy: second edition. 1964. (Shaw, 57*s* 6*d.*)
Investment Arithmetic; by M. S. Rix: second edition. 1964. (Pitman, 30*s.*)
The Investment and Taxation of Trust Funds; by G. W. Keeton. 1964. (Pitman, 40*s.*)
Josiah Stamp: public servant: the life of the first Baron Stamp of Shortlands; by J. H. Jones. 1964. (Pitman, 50*s.*)
Management Principles and Practice; by E. Wilkinson and R. S. Foster. 1963. (Donnington Press, 30*s.*)
Managing for Results: economic tasks and risk-taking decisions; by P. F. Drucker. 1964. (Heinemann, 25*s.*)
Method of Construction and Calculation of the Index of Retail Prices. (Ministry of Labour.) 1964. (H.M.S.O., 3*s.*)
National Income and Expenditure; by J. E. Meade and R. Stone: seventh edition by R. Stone and Giovanna Stone. 1964. (Bowes & Bowes, 16*s.*)
Phillips' Probate and Estate Duty Practice; by E. A. Phillips: sixth edition; by D. R. Le B. Holloway. 1963. Supplement 1964. (Solicitors Law Stationery Society, 105*s* and 10*s.*)
Profit Planning and the Measurement of Return on Capital Employed; by E. C. D. Evans. 1964. (Macdonald, 12*s* 6*d.*)
The Reduction of Correspondence Costs; by H. P. Cemach, F.C.A. 1964. (Anbar.)
Revenue Law comprising income tax, surtax and profits tax; estate duty; stamp duties; tax and estate planning; by B. Pinson. 1962. Second cumulative supplement 1964. (Sweet & Maxwell, 50*s* and 9*s* 6*d.*)
Skatte-tabeller 1964–65 (with summary in English of Danish Taxes); by V. Spang-Thomsen. Copenhagen. 1964. (NYT Nordisk Forlag, presented.)
Taxation in Western Europe 1964: a guide for industrialists. (Federation of British Industries.) 1964. (F.B.I., 30*s.*)
Trustee Acts (Northern Ireland): a handbook on the trustee acts . . .; by R. D. Carswell. Belfast. 1964. (Inn of Court of N. Ireland and the Incorporated Law Society of N. Ireland, 63*s.*)

Chartered Accountants Employees Superannuation Scheme

SEVENTH REPORT OF THE COMMITTEE TO THE MEMBERS

The seventh annual general meeting of members of C.A.E.S.S. will be held at the temporary offices of the Institute, Eileen House, 26/34 Old Street, London EC1, at 2.30 p.m., on Friday, November 27th

The contribution income for the year ended May 31st, 1964, amounted to £111,256 compared with £103,952 for the previous year.

Members contributing to the scheme as at May 31st, 1964, totalled 1,110 and the number of firms participating was 248. During the year the first retirements took place and at May 31st, 1964, there were four pensioners. In addition to contributing members and pensioners, 273 members who have left the service of participating employers have retained paid-up pension rights in the scheme. The detailed figures are as follows:

	Male	*Female*
Total contributing membership as at May 31st, 1964	960	149
Entrants during the year to May 31st, 1964	155	20
	1,115	169
Less Withdrawals, retirements and deaths during the year	155	19
Total existing contributing membership as at May 31st, 1964	960	150
Total number of members retaining rights in the scheme but whose contributions have ceased	258	19
Total number of members at May 31st, 1964	1,218	169

Contributions to a total of £2,669 were refunded during the year to those of the members withdrawing from the scheme who had less than £100 of contributions to their credit. The appropriate sums in respect of their employers' contributions have been credited to the participating firms concerned.

On certain conditions the Institute permits the use of limited and unlimited companies by its members in connection with their practices. During the year consideration was given to extending the scope of the scheme so that employees of such companies and of district, branch and student societies of the Institute would be eligible for membership. A provisional basis upon which this extension can be made has been agreed by the Inland Revenue authorities who are at present studying draft rules for the purpose. It is hoped that agreement will be reached shortly so that the necessary changes of rule can be introduced.

Mr J. W. Shedd retires from the committee under Clause 25 (11) of the Trust Deed and is eligible for re-election.

R. W. L. Eke,
Chairman.

Balance Sheet – May 31st, 1964

1963 £		£	£
	Accumulated Fund		
	Balance at May 31st, 1963	392,147	
	add Balance of fund account for the year	115,141	
392,147			507,288
	Current Liabilities		
1,323	Creditors	2,096	
10	Contributions in advance	8	
909	Contributions in suspense	1,119	
3,969	Beneficiaries	570	
6,211			3,793
	Deferred Liabilities		
4,750	Loan from The Institute of Chartered Accountants in England and Wales to meet initial expenses which the trustees intend to repay after the next actuarial valuation if surplus funds are available.		4,750
£403,108			£515,831

On behalf of Chartered Accountants' Trustees Limited as trustees
S. H. Gillett
John D. Russell } *Directors*

1963 £		£	£
380,863	Investments at cost per schedule ..		492,979
	(£455,730) (Value at middle market prices £542,934)		
	Current Assets		
115	Prepayments	115	
1,350	Debtors	2,062	
6,486	Contributions receivable	7,261	
9,097	Bank balances	7,292	
522	CARBS current account	1,447	
17,570			18,177
4,675	Initial Expenses		4,675
£403,108			£515,831

Note: The actuary's last report related to the position as on May 31st, 1962. His report, made on the basis that the cost of benefits accruing in the future, together with future expenses, will be met by future contributions and interest thereon, showed a surplus of £2,910 after £893 of non-participation contributions in respect of members contracted out of the graduated State Pension Scheme had been set aside by the actuary as a special reserve. On the recommendation of the actuary the surplus is being carried forward unappropriated.

Report of the Auditors to the Trustees of the Chartered Accountants Employees Superannuation Scheme

We have examined the above balance sheet and fund account which in our opinion respectively give a true and fair view of the state of affairs of the Fund as at May 31st, 1964 and of the relevant transactions for the year ended on that date.

L. W. Bingham
Leonard Pells } *Chartered Accountants*

September 22nd, 1964

Fund Account for the year ended May 31st, 1964

1963 £		£	£
	Benefits		
8,523	Lump sums on death	2,430	
525	*less Claims on insurers*		
7,998	Proportion borne by the scheme ..	2,430	
—	Annuities	74	
7,998			2,504
	Administration Expenses		
2,045	Scheme secretaries' remuneration ..	2,204	
250	Services of Institute staff	250	
262	Legal and other professional charges	310	
36	Medical fees	29	
375	Audit fee	375	
153	Printing, stationery and sundries ..	149	
3,121			3,317
97,244	**Balance** transferred to Accumulated Fund		115,141
£108,363			£120,962

1963 £		£	£	£
103,952	**Contributions**		111,256	
6,746	*less* Withdrawals	6,652		
237	Income tax relative thereto	251		
730	Reinsurance of death risk ..	1,151		
7,713			8,054	
96,239				103,202
	Investment Income			
13,506	Gross		19,546	
1,382	*less* Irrecoverable income tax ..		1,786	
12,124				17,760
£108,363				£120,962

Schedule to Investments – May 31st, 1964

1963 £		*Holding*	*Cost* £	£	*Middle Market Value* £	£
	Fixed Interest					
1,731	3 per cent Savings Bonds, 1960–70	£2,150	1,731		1,903	
1,001	3 per cent Savings Bonds, 1965–75	£1,400	1,001		1,113	
32,078	5½ per cent Treasury Stock, 2008–12	£50,000	49,160		45,750	
				51,892		48,766
	Banking					
10,478	Barclays Bank Ltd Ordinary Stock	£4,200	10,478		10,605	
8,241	Lloyds Bank Ltd Ordinary £1 Shares	3,000	8,241		6,600	
7,686	Midland Bank Ltd £1 Shares	2,000	7,686		6,700	
11,244	National Provincial Bank Ltd £1 Shares	3,500	11,244		10,762	
				37,649		34,667
	Insurance					
4,301	Commercial Union Assurance Co Ltd 5s Shares	2,000	4,301		4,477	
5,206	Eagle Star Insurance Co Ltd Ordinary 10s Shares	2,475	5,206		8,443	
11,843	Equity and Law Life Assurance Society Ltd Ordinary 5s Shares	1,500	11,843		7,688	
11,081	General Accident Fire & Life Assurance Corporation Ltd Ordinary Stock	£646 5s	11,081		7,079	
9,670	Guardian Assurance Co Ltd Ordinary 5s Shares	4,000	9,670		6,342	
9,215	Legal & General Assurance Society Ltd Ordinary 5s Shares	900	9,215		8,957	
8,580	Northern & Employers Assurance Co Ltd Ordinary £1 shares	1,500	8,580		9,682	
7,326	Prudential Assurance Co Ltd 'A' 4s Shares	300	7,326		6,863	
6,907	Royal Insurance Co Ltd Ordinary Stock	£825	6,907		5,776	
				74,129		65,307
	Property					
4,131	Beaumont Property Trust Ltd Ordinary 5s Shares	6,480	4,131		2,916	
7,863	Capital & Counties Property Co Ltd Ordinary Stock	£2,625	7,863		4,594	
10,594	City Centre Properties Co Ltd Ordinary 5s Shares	3,400	10,594		5,950	
5,193	Peachey Property Corporation Ltd Ordinary 5s Shares	6,000	5,193		3,525	
7,577	St Martin's Property Corporation Ltd Ordinary 5s Shares	5,625	7,577		5,484	
				35,358		22,469
	Investment Trust					
—	Alliance Trust Co Ltd Ordinary Stock	£2,000	9,570		9,800	
4,406	Anglo-American Securities Corporation Ltd Ordinary 5s Shares	9,000	4,406		8,213	
4,895	Atlas Electric & General Trust Ltd Ordinary 5s Shares	17,136	4,895		13,036	
8,728	British Investment Trust Ltd Ordinary 5s Shares	21,000	8,728		15,172	
4,952	Continental Union Trust Co Ltd Ordinary 5s Shares	12,000	9,636		11,004	
5,272	Edinburgh Investment Trust Ltd Deferred Stock	£3,000	5,272		8,100	
6,111	English & Caledonian Investment Trust Co Ltd Ordinary 5s Shares ..	12,750	6,111		11,634	
12,557	Foreign & Colonial Investment Trust Co Ltd Ordinary 5s Shares	25,000	12,557		17,188	
8,677	Guardian Investment Trust Co Ltd Ordinary 5s Shares	15,000	8,677		12,161	
11,147	International Investment Trust Ltd Ordinary 5s Shares	10,000	12,128		14,500	
6,729	Lake View Investment Trust Ltd Ordinary 10s Shares	5,500	6,729		8,909	
4,411	London Trust Co Ltd Deferred Stock	£1,500	4,411		8,925	
10,215	Scottish National Trust Co Ltd Ordinary Stock	£2,750	10,215		11,926	
4,956	Scottish Western Investment Co Ltd Ordinary 5s Shares	10,800	4,956		8,640	
6,530	Second Scottish Investment Trust Co Ltd Ordinary Stock	£1,500	6,530		10,592	
5,138	Sphere Investment Trust Ltd Ordinary 5s Shares	12,000	5,138		11,969	
5,748	Trustees Corporation Ltd Ordinary 5s Shares	10,000	5,888		13,500	
5,278	United States Debenture Corporation Ltd Ordinary Stock	£3,000	5,278		11,850	
7,933	Witan Investment Co Ltd Ordinary 5s Shares	14,000	10,234		12,775	
				141,359		219,894

1963 £		Holding	Cost £	£	Middle Market Value £	£
	INDUSTRIAL					
12,084	Allied Breweries Ltd Ordinary 5s Shares	18,000	12,084		12,600	
—	Associated Electrical Industries Ltd Ordinary Stock	£4,500	9,278		9,141	
—	Beecham Group Ltd Ordinary 5s Shares	5,200	5,037		5,200	
6,056	Boots Pure Drug Co Ltd Ordinary 5s Shares	8,300	11,089		9,856	
6,202	British Insulated Callenders Cables Ltd Ordinary Stock	£2,000	6,202		7,950	
—	British Petroleum Co Ltd Ordinary Stock	£2,800	8,056		7,688	
6,181	Distillers Co Ltd Ordinary 10s Shares	4,410	6,181		5,513	
—	Freemans (London SW9) Ltd Ordinary 5s Shares	4,000	7,035		6,600	
—	General Electric Co Ltd Ordinary Stock	£1,500	5,924		5,719	
5,584	Glaxo Group Ltd Ordinary Stock	£1,250	5,584		4,398	
4,076	Great Universal Stores Ltd 'A' Ordinary Stock	£1,150	9,113		10,465	
8,275	Imperial Chemical Industries Ltd Ordinary Stock	£7,500	12,393		15,938	
7,961	Imperial Tobacco Co (of Great Britain & Ireland) Ltd Ordinary Stock	£3,450	7,961		6,900	
—	Leyland Motor Corporation Ltd Ordinary Stock	£1,600	8,025		8,600	
7,457	Ranks Hovis McDougall Ltd Ordinary Stock	£2,000	7,406		6,300	
—	Reckitt & Colman Holdings Ltd Ordinary 10s Shares	2,700	5,058		4,472	
—	Reed Paper Group Ltd Ordinary £1 Shares	3,000	8,839		8,513	
4,942	W. H. Smith & Son (Holdings) Ltd 'A' Ordinary £1 Shares	1,800	4,942		5,150	
6,416	Stewarts and Lloyds Ltd Ordinary £1 Shares	3,750	6,416		5,156	
—	Unilever Ltd Ordinary 5s Shares	3,300	5,969		5,672	
				152,592		151,831
£380,863				£492,979		£542,934

Chartered Accountants Retirement Benefits Scheme

Reproduced below are the seventh annual accounts of C.A.R.B.S. for the year ended May 31st, 1964

Income and Expenditure Account for the year ended May 31st, 1964

1963 £		£	£
	BENEFITS		
1,309	Annuities	1,960	
2,189	Contributions returned on death	1,686	
3,498		3,646	
3,483	*less* Recoverable from insurers	3,641	
15	Interest borne by the scheme		5
	ADMINISTRATION EXPENSES		
1,533	Scheme secretaries' remuneration	1,503	
750	Services of Institute staff	750	
—	Legal charges	116	
300	Audit fee	300	
22	Printing, stationery and sundries	133	
2,605			2,802
£2,620			£2,807

1963 £		£
	MEMBERS' CONTRIBUTIONS	
35,343	Section A	37,062
19,816	Section B	19,812
2,425	Section C	2,400
42,632	Section D	40,418
100,216		99,692
98,217	*less* Premiums to insurers	97,739
1,999	Commissions earned and retained	1,953
158	DEPOSIT INTEREST	189
463	DEFICIT FOR THE YEAR	665
£2,620		£2,807

Balance Sheet – May 31st, 1964

1963 £		£	£
	LIABILITIES		
24,153	Insurers	25,542	
—	Beneficiary	2	
877	Other creditors	416	
8	Contributions in suspense less payments thereout to insurers	12	
4,750	The Institute of Chartered Accountants in England and Wales	4,750	
522	CAESS current account	1,447	
30,310			32,169
	INCOME AND EXPENDITURE ACCOUNT		
	Surplus at May 31st, 1963	1,372	
	less Deficit for the year to date	665	
1,372			707
£31,682			£32,876

On behalf of Chartered Accountants' Trustees Limited as trustees
S. H. GILLETT, JOHN D. RUSSELL } *Directors*

1963 £		£	£
	CURRENT ASSETS		
108	Debtors	469	
10,000	*Deposits*		
16,434	Bank balances	27,267	
26,542			27,736
5,140	INITIAL EXPENSES		5,140
£31,682			£32,876

NOTE: The actuary's last report related to the position as on May 31st, 1962. He reported that the benefits of the scheme were fully insured and that, if future commissions earned and deposit interest received remained roughly equivalent to the expenses of administration, the fund would remain in a satisfactory condition, although it would not be possible to repay the balance due to The Institute of Chartered Accountants in England and Wales. The trustees concur with this opinion.

REPORT OF THE AUDITORS TO THE TRUSTEES OF THE CHARTERED ACCOUNTANTS RETIREMENT BENEFITS SCHEME

We have examined the above balance sheet and income and expenditure account which in our opinion respectively give a true and fair view of the state of the Scheme's affairs as at May 31st, 1964, and of its income and expenditure for the year ended on that date.

L. W. BINGHAM, LEONARD PELLS } *Chartered Accountants*

September 22nd, 1964.

SOUTH EASTERN SOCIETY OF CHARTERED ACCOUNTANTS' DINNER

Speaking at a dinner of the South Eastern Society of Chartered Accountants held at the Hotel Metropole, Brighton, on November 6th, Mr Philip Shelbourne, a partner in the merchant banking firm of N. M. Rothschild & Sons, referred to new taxation measures likely to be proposed by the Chancellor.

'With all sorts of new taxes being talked about', he told the company of more than five hundred members and guests, 'your clients are going to need the best advice they can get'.

'I am sure they will get this advice in an unprejudiced way from accountants, for they can really rely upon your profession', he said. 'It is because your profession has a reputation for fairness that it can give the public the service they really need. I am sure that the public in this country will continue to be well served by you'.

Mr Shelbourne, who was proposing the toast of 'The Institute of Chartered Accountants in England and Wales and the Accountancy Profession', said that the reason merchant bankers and accountants worked so well and so closely together in so many fields was because they had the same basic approach – to give the best service they could to their clients.

Mr W. Guy Densem, F.C.A., President of the Institute, who responded, said there were 38,000 members of the Institute, of whom approximately half were in industry, and there were 2,164 members whose registered addresses were in the area of the South Eastern Society.

Mr Densem added that because it was considered that the South Eastern Society was covering too wide and unwieldy an area it had been decided in principle to create a new Society out of its western half. 'This is subject to agreement over boundaries between the existing Society and the proposed Society', he said.

Mr Densem went on to say there was an idea abroad that the Institute was 'somewhat stagnant' but that was entirely wrong. He outlined the extensive work of the Institute, including the great interest being taken in the education and training of articled clerks.

After giving particulars of the new examination syllabus and joint diploma and certificate courses, Mr Densem said: 'We are also going to endeavour to get more easily the views of our members by proxy voting. All this is the result of many years of hard work'.

Mr Densem stated that in education generally the short introductory courses were being found valuable. It was difficult, however, to get all education authorities to see eye to eye with the Institute.

The toast of 'The Guests' was proposed by Mr C. R. P. Goodwin, F.C.A., President of the South Eastern Society. He paid a tribute to the Honorary Secretary, Mr T. T. Nash, F.C.A., who organized the dinner, and extended a warm welcome to all the guests.

Mr R. C. Pascoe, J.P., President of the Sussex Law Society, who responded, said that accountancy and law were both 'accurate and economic professions' and he thought that, by and large, the accurate and economic professions were 'better for the individual than the theoretical and rather political professions'.

NORTH YORKSHIRE AND SOUTH DURHAM CHARTERED ACCOUNTANTS' DINNER

The fifteenth annual dinner of the North Yorkshire and South Durham Branch of the Northern Society of Chartered Accountants was held at the Grand Hotel, West Hartlepool, on November 6th. The Chairman of the Branch, Mr H. B. Kilvington, F.C.A., presided, and received the company of 142 members and guests.

The toast of 'The Institute of Chartered Accountants in England and Wales' was proposed by Mr T. H. Summerson, J.P., D.L., Chairman of the Summerson group of engineering companies. Mr Summerson's address was often light-hearted and brought laughter and applause from his audience.

In proposing the toast, he said that he suffered from the disability commonly found in those invited to propose a toast to bodies of which they were not members, namely, knowing very little to say which was relevant to their subject. He continued:

'I was fortunate, however, to have on my shelves a book entitled *Anatomy of Britain*, which I found contained a chapter headed "Accountants".

'I was intrigued to find that this chapter was preceded in italics by a quotation from an American writer, describing the typical auditor in his country.

'It read: "Cold, passive, with eyes like cod fish, minus bowels, passion, or a sense of humour".

'There followed, in sentences which flowed gracefully from the flattering to the impolite and back again, what might be described as a microcosm of your profession. Here are a few examples:

' "Accountants: are the priesthood of industry".

' "The ignorance and fear of figures of the average business man has added to the accountant's mystique".

' "It is pathetic to see how accountants pull wool even over the eyes of engineers".

' "But the accountants, however powerful, remain a pariah profession".

' "Their beginnings were squalid. The first accountants were invariably associated with bankruptcy and liquidations; like undertakers, they bore an aura of gloom . . . ".

'Later, however', continued Mr Summerson, 'with the passage of time their status rose. It was no longer said that to be seen talking to, or having your office entered by an accountant, was to be avoided. Indeed, they began to become associated with normality rather than disaster.'

In more serious vein, Mr Summerson went on to say that the study of accountancy clearly inculcated in the mind a discipline which qualified men for the highest posts in industry and commerce. This was demonstrated by the very high proportion of chairmen of great companies who were themselves accountants. 'This', he said, 'should effectively dispose of the widely

held picture of an accountant as of a Scrooge-like figure, in his head no thought beyond cold figures, in his heart no human warmth.'

Mr Summerson said that it was beyond argument that the successful control of undertakings, especially large ones, demanded a proper mixture of toughness and of humanity. 'Without the former there can be no discipline', he said. 'Without the latter there will be no pride of service.'

One heard from time to time exponents of management who asserted that it was their sole duty to produce for their shareholders the maximum profit which could be extracted from the business.

'I emphatically and categorically disagree', said Mr Summerson.

'This is the theory from which has derived the greatest part of the industrial ills from which we are suffering today.

'The making of profit is, of course, a major – indeed *the* major, part of the duty of management. Because without profit no business can survive, let alone expand and prosper. But it was far from being the whole duty of management. Today there rests with managements a stern duty so to conduct their companies' affairs as to benefit the nation as a whole.'

After all, said Mr Summerson, managements were trustees for part of the country's economic wherewithal in brains, manpower, raw materials, power, finance and, finally, products and sales – and were responsible for their use or misuse to far more than their shareholders alone.

'Today, for example, maximum exports are among our country's transcending needs. Management which fails to concentrate upon exports and thereby achieve the greatest possible overseas sales, even though that might involve some reduction in its total level of profits, is failing its duty to the nation.'

Mr Summerson said he would like to see a chairman's certificate declaring that during the past year the company had achieved the greatest volume of overseas sales of which it was capable attached to every set of annual accounts.

'And', he continued, 'if such a certificate had to be witnessed by the company's auditors, well, why not?' It would be just an extension of their present certificate.

The response to the toast was made by Mr J. H. Mann, M.B.E., M.A., F.C.A., a member of the Council of the Institute.

The toast of 'Our Guests' was proposed by Mr C. H. W. Sansom, F.C.A., and responded to by Mr A. B. Little, M.C., T.D.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Notification of Examination Results

Subject to unforeseen circumstances, a list of candidates successful at the September 1964 new Intermediate examination will be displayed at the temporary offices of the Institute, 56/66 Goswell Road, London EC1 (*not* Moorgate Place), on Tuesday, November 24th. The list will be published in *The Accountant* of November 28th.

In addition, each candidate may expect to receive by post at the earliest on Monday, November 23rd, a notice stating whether he has passed or failed, together with details including any prize awarded or, if unsuccessful, particulars of his performance in individual papers.

The Institute cannot give information of results by telephone or telegram and cannot entertain an inquiry as to whether results are available.

PROFESSIONAL NOTICES

Mr D. J. BARROW, F.A.C.C.A., announces that Mr C. J. BARTLETT, A.C.A., has joined him in partnership with effect from November 1st, 1964. The practice will be carried on under the style of BARROW, BARTLETT & Co, at 17 Joy Street, Barnstaple.

MESSRS DOWNING GORDON & Co, Chartered Accountants, announce that they have entered into association with Messrs ALLAN, CHARLESWORTH & Co, Chartered Accountants. Three of the partners of ALLAN, CHARLESWORTH & Co, Messrs G. DUNCAN, C.A., J. K. LAURENCE, C.A., and F. G. ROLLASON, F.C.A., became partners on October 6th, 1964. The practice of DOWNING GORDON & Co will continue at its present address.

MESSRS FOX, DAWSON & Co, Chartered Accountants, of 20 Havelock Road, Hastings, announce that as from October 31st, 1964, Mr PATRICK JOY, F.C.A., has retired from the partnership, and the practice has been amalgamated with that of Messrs GIBBONS & MITCHELL, Chartered Accountants, of 7/8 Wellington Square, Hastings.

MESSRS HOPE, AGAR & Co, Chartered Accountants, of Epworth House, 25/35 City Road, London EC1, announce with deep regret the death on November 4th, 1964, of Col ANTHONY NEWILL HARGREAVES, F.C.A., who had been senior partner in the firm from September 1961.

MESSRS KIDSONS, TAYLOR & Co, Chartered Accountants, of 1 Booth Street, Manchester 2, and Sardinia House, 52 Lincoln's Inn Fields, London WC2, announce that as from November 2nd, 1964, Mr R. M. COLLINS, F.C.A., has been admitted to the partnership.

MR ERIC J. N. NABARRO, F.C.A., announces that as from November 1st, 1964, Mr B. C. TWYMAN, A.C.A., has become a partner in ERIC NABARRO & Co.

Mr PATRICK JOY, F.C.A., announces that he is now practising on his own account as PATRICK JOY & Co at 14 High Street, Lewes, and at 20 Havelock Road, Hastings.

MESSRS ROOKE, LANE & Co, Chartered Accountants, announce with regret the death of Mr W. F. C. MARWOOD, F.C.A., on November 3rd, after a serious illness. Mr MARWOOD had been with the firm for forty-four years, and a partner since 1945.

MR B. C. TWYMAN, A.C.A., announces that as from November 1st, 1964, he ceased to practise as B. C. TWYMAN & Co, Chartered Accountants, and has become a partner in the firm of ERIC NABARRO & Co, Chartered Accountants, 5 Bloomsbury Street, London WC1.

INSPECTORS' REPORT ON THREE COMPANIES

The report of the Inspectors – Mr E. R. Nicholson, F.C.A., and Mr R. V. Cusack, Q.C. – appointed by the Board of Trade under section 165 (*b*) of the Companies Act, 1948, to investigate the affairs of the following companies was published on November 6th, and copies may be obtained from Her Majesty's Stationery Office: F. M. S. Rubber Planters Estates Ltd (price 7*s* 6*d*; by post 8*s* 3*d*); Johore Para Rubber Estates Ltd (price 3*s*; by post 3*s* 5*d*); Majestic Insurance Company Ltd (price 2*s*, by post 2*s* 2½*d*).

CENSUS OF PRODUCTION FOR 1964

The Census of Production to be taken in 1965 for the year 1964 will be an inquiry on similar lines to the simplified censuses taken in respect of the years 1959–62, but further simplified by the elimination of the question on sales and work done, and by a reduction in the number of businesses required to make returns.

An Order,[1] which becomes operative from December 31st, 1964, prescribing the matters about which returns may be required, has now been made by the Board of Trade. Undertakings producing coal, gas, electricity, or crude or refined petroleum are exempted from making Census of Production returns.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

Articles and Papers in Booklet Form

Three booklets have now been published comprising reprints of articles and papers which, in recent years, have appeared in *The Accountants' Magazine*, the journal of The Institute of Chartered Accountants of Scotland. They are: '*A Plain Man's Guide to Computers*, second edition 1964, by Mr James Allan, A.C.I.S. (5*s* plus 6*d* postage); *The Amalgamation of Companies*, by Mr James T. Dowling, C.A., a Past-President of the Institute, and Mr John Waldie, M.A., B.A., C.A. (3*s* plus 6*d* postage); and *The History of Income Tax*, by Mr Thomas D. Lynch, C.A. (1*s* 6*d* (postage included)).

The first booklet, which was originally published as a series of four articles during 1962, has been entirely revised and brought up to date by the author. The second booklet consists of two papers in sequence, 'The accountants' report on a proposed amalgamation of companies', by Mr James T. Dowling, and 'Study of a proposed amalgamation', by Mr John Waldie. *The History of Income Tax*, a concise survey of the subject covering the fifteenth to twentieth centuries, was originally published in 1962.

Copies of the booklets are obtainable from The Institute of Chartered Accountants of Scotland, 27 Queen Street, Edinburgh 2.

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

Annual Dinner and Dance

The annual dinner and dance of The Association of Certified and Corporate Accountants will take place in the Great Room, Grosvenor House, Park Lane, London W1, on Monday, November 23rd, at 7 for 7.30 p.m.

The price of tickets is £2 per person exclusive of wines but including a late night buffet served at 11 p.m. Dancing will continue until 1 a.m.

It is hoped that as many members and registered students of the Association as possible will support this function with a view to ensuring its success, especially as on this occasion it is being held within seven days of the commencement of the Diamond Jubilee Year of the Association.

The principal guests will be the Rt Hon. J. A. Boyd-Carpenter, M.P., formerly Chief Secretary to the Treasury, and Mrs Boyd-Carpenter. Mr Boyd-Carpenter will respond to the toast of 'The Guests'.

Further particulars may be obtained from the Secretary of the Association, 22 Bedford Square, London WC1.

Annual Church Service

The first annual church service for members of the Association is to be held at St Giles in the Fields, St Giles' Circus, London WC1, at 12 noon on Tuesday, November 24th.

The service will be conducted by the Rev. Gordon C. Taylor, V.R.D., M.A., F.S.A., R.N.R., Vicar of St Giles and Rural Dean of Holborn, assisted by the Rev. E. Stopford, B.A., Vicar of Whitmore, Staffordshire.

[1] Census of Production (1965) (Returns and Exempted Persons) Order 1964 (S.I. 1964 No. 1713). Copies may be obtained from H.M.S.O., price 3*d*, by post 5½*d*.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

The next meeting of the London and District Society of Chartered Accountants will be held next Tuesday in the Beaver Hall, Garlick Hill, London EC4, at 5.45 p.m., when Mr L. H. Clark, F.C.A., will speak on 'The White Paper: *An Accounts Basis for Income Tax on Company Profits*'.

NORTH LONDON DISCUSSION GROUP

The next meeting of the North London Discussion Group of Chartered Accountants takes place on Wednesday next, November 18th, when there will be a visit to the I.C.T. Computer Centre, 88 High Holborn, London WC1. Commencing at 6.15 p.m. for 6.30 p.m., there will be a lecture, film and demonstration.

EAST ANGLIAN SOCIETY OF CHARTERED ACCOUNTANTS

Norwich Branch

'Estate duty planning' will be the subject of an address to be given by Mr T. A. Hamilton Baynes, M.A., F.C.A., a member of the Council of the Institute, at a meeting of the Norwich Branch of the East Anglian Society of Chartered Accountants to be held at the Royal Hotel, Norwich, on November 18th at 7 p.m. Two further meetings, also at the Royal Hotel at 7 p.m., will take place on December 8th and January 21st. At the former, Mr R. C. Robinson, Registrar of the Probate Registry in Norwich, will address members on the work dealing with estates in so far as it touches upon the duties of the Registrar in the area, and at the second meeting Mr T. A. Hamilton Baynes will give a talk on 'Share valuations'.

All the above meetings will be preceded by an informal supper at 6.15 p.m.

SOUTH WALES AND MONMOUTHSHIRE SOCIETY OF CHARTERED ACCOUNTANTS

The 1964–65 session of the South Wales and Monmouthshire Society of Chartered Accountants commenced last week when Mr K. S. Carmichael, F.C.A., addressed members on 'Income tax Case VII'. Other meetings have been arranged as follows:

December 3rd, 1964. 'Question time'. This meeting, at which members of the local association of Inspectors of Taxes will be guests, will take the form of questions from the floor being answered from the floor.

January 14th, 1965. A 'discussion group' meeting at which members are invited to discuss matters of professional interest.

March 11th. 'Computers', by Mr S. J. Russell, F.C.A.

March 26th. 'Interfirm comparisons', by Mr W. J. H. Everitt of the Centre for Interfirm Comparisons Ltd.

All the above meetings will be held at the Park Hotel, Cardiff, commencing at 7 p.m., with the exception of that on March 26th, which will be held at the King's Head Hotel, Newport, also at 7 p.m.

The honorary secretary of the Society is Mr Howard N. Jones, B.A.(ECON.), A.C.A., c/o Horace Jones & Co, 63 Park Place, Cardiff.

Students' Society

'The rights of buyer and seller under the Sale of Goods Act', was the title of a talk given at last week's meeting of the autumn Friday lecture programme of the South Wales and Monmouthshire Chartered Accountant Student Society, at the Royal Hotel, Cardiff, at 5.30 p.m. Next Friday, at the Queens Hotel, Newport, commencing at 2.30 p.m., a talk will be given on 'Balance sheet audit'. The remainder of the programme will be held at the Engineers' Institute, Park Place, Cardiff, when, on November 20th, at 2 p.m., there will be an address on 'How to write an executor's accounts', and on December 11th (also at 2 p.m.), the subject will be 'Income tax, Schedule D, Case VIII'.

A series of four lectures for newly articled clerks has been arranged for November 21st, 28th and December 5th and 12th at the Engineers' Institute, Cardiff, commencing at 9.30 a.m. The lectures will cover the basic principles of double entry and no charge will be made for attendance.

Further particulars regarding the activities of the Society are obtainable from the honorary secretary, Mr G. Stockwell, A.C.A., 4 Museum Place, Cardiff.

INSTITUTE OF INTERNAL AUDITORS

Manchester Chapter

'Operational research in internal audit' will be the subject of an address to be given by Mr N. A. Smith, M.B.E., T.D., F.C.A., of Unilever Ltd, at a meeting of the Manchester Chapter of The Institute of Internal Auditors to be held on November 17th, at the Chartered Accountants' Hall, 46 Fountain Street, Manchester 2, commencing at 7 p.m. The meeting has been designated 'Chapter educational night' and invitations have been extended to the heads of all educational establishments in the district. The Chapter concludes its meetings for 1964 on December 8th, when Mr J. O. Davies, F.C.A., chief internal auditor, National Coal Board, will speak on 'Management control and the internal auditor' at the Minorca Hotel, Wallgate, Wigan, at 7 p.m.

In the New Year, addresses will include 'Industrial security', by Mr K. G. Wright, managing director, Independent Security Consultants Ltd, 'E.D.P. systems and control', by Mr G. A. Reid, B.COM., A.A.C.C.A., chief systems planner, North Western Division, National Coal Board, 'Management services and the internal auditor', by Mr A. P. Whyte, B.SC.(ECON.), F.C.A., M.A.N.W.E.B., and 'Internal audit in oilfield operations', by Mr J. P. Summers, A.A.C.C.A., manager, Northern Computer Centre, Shell-Mex and B.P. Ltd.

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE ACCOUNTANT

ESTABLISHED 1874

NOVEMBER 21ST, 1964 VOL. CLI. NO. 4692

CONTENTS

Budget Reflections

THE most costly element in the new Budget is the announcement of the increase in National Insurance and other social welfare benefits which are to come into force at the end of the current tax year. Thus the standard rate of benefit for a single person will be raised by 12*s* 6*d* to £4 per week; for a married couple it will rise by 21*s* to £6 10*s* a week. The '10*s* widow' is promoted to 30*s* These increases are given on the footing that they are needed for immediate spending, so that their direct inflationary effect is unquestionable.

The CHANCELLOR said that there was an income tax aspect, namely, the income limit for the dependent relative allowance. At present, if a single dependent relative has an annual income above £180, the allowance to the person who maintains him is cut down £ for £ of the excess, so that the allowance vanishes altogether when the dependent relative has an income of £255 or more. It is proposed in the next Budget to raise the £180 by £30, so that the upper income limit at which the allowance vanishes becomes £285. No express reason was given for this alteration. At present the taxpayer has to prove two things: first, that he maintains the relative; secondly, that the relative has an income somewhere below £255. If it is £180 or less, then the full allowance is given. Now consider the case of a taxpayer who has a dependent relative living with him and having in 1965–66 an investment income of, say, £280, but no income from National Insurance benefits. If the taxpayer is prepared to say he 'maintains' the relative, he will receive an allowance of £10. Now that relative is not, of course, bound to maintain himself out of his investment income; he can give it away if he likes, perhaps to the taxpayer who is maintaining him. But a National Insurance benefit of £4 a week is paid for the purpose of maintaining the recipient. If, as is clearly contemplated, full dependent relative allowance is given in respect of someone else maintaining him, what is the precise object of the £4 in that case? And is it not putting something of a strain on the conscience of a taxpayer to declare in his tax return that he maintains the relative at his own expense?

Pre-election prognostications that increased benefits would be paid for out of increased production, without further taxation, seem to be the first post-election casualties. The employed man will have to pay another 2*s* a week in stamps; his employer another 3*s* 3*d* a week, with corresponding increases for women employees. Another sixpence on petrol does not hit merely the pleasure motorist but the whole business of the carriage of passengers and goods and will directly increase the cost of living in

a number of ways. One might have expected that a sterner eye would have been turned on luxury goods like tobacco for instance, expenditure on which is entirely voluntary. However, what is in fact to be penalized is, for example, the taking of one's children to school in the family car.

One of the more publicized criticisms of the present Government's election manifesto was that it would bring, *inter alia*, a sixpenny rise in the income tax. This was hotly denied at the time, but the forecast has proved right. The resolution for a standard rate of tax of 8*s* 3*d* for 1965–66 includes provision for rates of surtax 'in the case of an individual whose total income exceeds £2,000', to be fixed later. The surtax rates for 1964–65 also still remain to be fixed, which is a profoundly disturbing fact, notwithstanding the generous earned income relief, about which the CHANCELLOR said nothing. Here, again, the pre-election promise was that the tax emphasis would be away from those who earned income, and on to those who acquired money without earning it. Nevertheless, earners who earn more than £700 are to pay more tax on those earnings. Clearly a great gulf is seen to lie between the man earning £700 a year who must pay more tax, and the relative who has investment income of £284 and yet qualifies as a 'dependant'.

The reactions of the Inland Revenue Department to the proposed universal tax on capital gains, may be imagined from a memorandum which that department produced on the subject in January 1952, for the use of the Royal Commission on Taxation. The memorandum was a long one, but it showed clearly that the department was not in favour of such a tax. The CHANCELLOR says that the short-term gains tax introduced in 1962 has been ineffective in operation and has yielded about £1 million in the first full year. The difficulty about a capital gains tax with a time limit is that the taxpayer naturally waits for the time limit to elapse. We said so when the tax was introduced. The CHANCELLOR has therefore decided to introduce a capital gains tax without time limit. However, the gains to be charged will not exceed the difference between the value of the asset on the 1965 Budget day and the amount realized after that day. Presumably where the asset was acquired after the 1965 Budget, the value having gone up in the meantime, the acquirer will be taxed only on his own profit. There is no allowance for losses. Here is a rich field for the rich man. He can realize his losses and control the realization of his gains. Nothing has been said about what is to happen on the taxpayer's death.

It is clear that the precise value of every asset owned by a British taxpayer will sooner or later have to be ascertained as at Budget day 1965. This is going to be an enormous task. And yet if it is not done efficiently, many taxpayers may find themselves paying a capital levy rather than a capital gains tax. Many companies are run by directors who have comparatively few shares. It is a byword that directors allow their shareholders to remain ignorant of the real value of the assets of the company; hence the take-overs which have brought such profit to the persons taking over. There will be a heavy duty on directors in the next few months to see to it that the shares in their companies can be valued at their true worth, and not on the basis of historical balance sheets.

Indeed, the Inland Revenue said that the idea of valuing everything at a starting date should be avoided 'as impracticable'. The department also estimated that the CHIEF INSPECTOR's branch of the Inland Revenue would require an additional staff of some five hundred people. This is not to mention the number of skilled valuers whom taxpayers would need to employ, nor the endless disputes which could arise as to the question of value. At the same time, if the Government is as successful as it apparently expects to be in combating inflation, then it seems unlikely that the capital gains tax, after taking losses into account, would make much more of a contribution than the existing short-term gains tax.

For his corporation tax, the CHANCELLOR has evidently borrowed extensively from the minority report of the Royal Commission and which was signed by Messrs WOODCOCK, BULLOCK, and KALDOR. They recommended that no income tax be levied on companies as such, but that companies be asked to act as agents of the Revenue and to deduct (and hand over) income tax at the standard rate from all dividend and interest payments. They recommended that a proper rate of corporation tax be one-third, with a credit for income tax which was suffered by the company by taxation at source from income received by it.

Mr CALLAGHAN said that we should be able to raise the same total revenue with a lower corpora-

tion tax rate than the present combined rate of income tax and profits tax. There would be a reduction in the current rate of tax on retained profits. Here is the old fallacy that profits retained by a company are necessarily used more efficiently than when they are distributed; all the more a fallacy in that surtax directions are made on companies which do not distribute.

The Finance Bill (No. 2) 1964, H.M.S.O. price 1*s* 9*d*, was published on Wednesday afternoon and will receive attention in our next issue.

Should a Trustee Tell?

ANYONE who accepts the office of trustee exposes himself to risks and involves himself in a good deal of work. Where a discretion is vested in him, his position is still more difficult for the exercise of his discretion is almost certain to disappoint some beneficiary, and may well alienate him. In recent years it has become very common to settle property on very wide discretionary trusts, for reasons not wholly unconnected with taxation. This has greatly extended the area in which difficulties may arise with individual beneficiaries who are disappointed in their expectations.

Happily, it was long ago established that where trustees were vested with a discretion and they chose to exercise it without disclosing the grounds for their particular decisions, they could not be required to state those grounds. As Lord TRURO said in 1851 in *Re Beloved Wilkes' Charity* (3 Mac & G. 440, 447):

> 'Trustees with such a duty to perform are in a very painful situation . . . because when they are called upon to show the bona fide exercise of their discretion, they may be required to state circumstances of a painful and irritating nature, irritating not only to the particular individual who may be personally affected by them, but to those who are in the same situation and . . . . sympathize with him.'
>
> 'The duty of supervision on the part of this Court will thus be confined to the question of the honesty, integrity, and fairness with which the deliberation has been conducted, and will not be extended to the accuracy of the conclusion arrived at, except in particular cases.'

Recently, in the Court of Appeal, Lord Justice SALMON said that nothing would be more likely to embitter family feelings and the relation between trustees and the members of the family, than an obligation on the trustees to state their reasons for the exercise of the powers entrusted to them. If there were such a duty it would be difficult to persuade any persons to act as trustees.

It is a corollary to this rule of silence that when trustees choose voluntarily to give their reasons for the particular exercise of a discretion, then it is open to a beneficiary to have those reasons tested in Court.

Now there is another well-established rule governing the relations between trustees and the beneficiaries, namely, that the beneficiaries are entitled to inspect what might generally be called trust documents. In so far as the trustees, as legal owners, have documents of title, it follows that the beneficiaries, as beneficial owners, are entitled to see those documents. Secondly, a beneficiary has a right to see those documents from which he may ascertain what his beneficial interest is. In the case of a settlement, he is entitled to see the settlement, and also appointments made in his favour.

This right to inspect trust documents has been referred to in *obiter dicta* in rather wide terms. Thus in *O'Rourke v. Darbishire* ([1920] A.C. 581) the question arose of a plaintiff's right to discovery of defendant trustees' documents in an action, where the defendant solicitor-trustee claimed professional privilege. In the course of the judgments in the House of Lords, references were made to the ordinary beneficiary's right against his trustee to production of documents, and these references were expressed in general terms. Thus Lord PARMOOR said:

> 'A *cestui que trust*, in an action against his trustees, is generally entitled to the production for inspection of all documents relating to the affairs of the trust.'

Of course it was not necessary in that action to go into the question of the exercise of a discretion.

Now, suppose that trustees are invested with a wide discretion and, being rather more methodical than many trustees, they keep minutes of their meetings at which the manner of exercising

a discretion is discussed, does the fact that the trustees have been more than usually careful in the exercise of their office expose them to the obligation to produce those confidential minutes, simply because they are 'documents' and therefore covered by Lord PARMOOR's *dictum*?

Happily the Court of Appeal has now answered 'No', and thereby has overruled a decision of Mr Justice PLOWMAN given on April 30th in *Re Londonderry's Settlement: Peat and Others v. Walsh* ([1964] 2 All E.R. 572). This case arose on a summons taken out by the trustees of a settlement made by the Seventh MARQUESS OF LONDONDERRY and dated December 5th, 1935. The settlement settled certain shares in Londonderry Collieries Ltd for the express purpose of making provision for certain persons known as 'the members of the specified class'. The trustees were to hold the capital of the trust fund for such members of the specified class in such shares and proportions and at such times and subject to such conditions, limitations, and restrictions as the trustees, with the consent of the 'appointors', might in writing appoint from time to time. Every appointment had to be made in the lifetime of the last survivor of the specified class. In default of appointment, the fund was to go to persons other than the specified class. The appointors were persons specified by the settlement whose duties were to appoint new trustees as and when necessary.

The trustees appointed considerable sums from time to time and then in 1962 and 1964 they appointed the remainder of the fund to various members of the specified class, including Lady HELEN MAGLONA WALSH (the defendant) and her three children. Lady WALSH complained to the trustees about the justice of their decision, but they were unanimous in confirming it, as they had been in coming to it. Lady WALSH subsequently instructed a solicitor who on her behalf requested the trustees to supply her with the following documents:

(*a*) the minute book of the trustees' meetings;

(*b*) original appointments made by the trustees;

(*c*) correspondence between the trustees and the appointors and the beneficiaries;

(*d*) trust accounts;

(*e*) correspondence between solicitors, trustees and appointors.

The trustees were willing to supply (*b*) and (*d*) but considered that it was in the interest of the family as a whole that they should not supply the other documents unless they had a duty to Lady WALSH to do so.

Mr Justice PLOWMAN, on the hearing of the summons, held that the case of *Talbolt v. Marshfield* (2 Drew & Sm. 285) was a direct authority for saying that the trustees ought to produce all the documents. Being thus protected by an order of the Court, the trustees could with impunity have carried out its directions. However, they chose to appeal. Lord Justice HARMAN said that the appeal was an irregularity. It was not for the trustees to appeal.

Fortunately for trustees in general, the Court of Appeal did, however, hear and determine the appeal, and allowed it. Lord Justice HARMAN said that there was no authority directly in point. In the light of documents obtained from the Record Office and other reports of the case of *Talbot v. Marshfield*, it now appeared that that decision offered no help. Although Lady WALSH had relied also on general statements made in *O'Rourke v. Darbishire*, such general statements gave little guidance and begged the question as to what were in fact trust documents.

In his lordship's view, minutes of meetings and agenda and other documents prepared for the purpose of meetings of trustees were, in the absence of an action impugning the trustees' good faith, documents which a beneficiary could not claim the right to inspect. If Lady WALSH were allowed to examine them, she would know at once the very matters which the trustees were not bound to disclose – namely, their motives and reasons. Even if it could properly be said that these were trust documents, he would hold that they were protected, for the special reason which protected the trustees' deliberations on a discretionary matter from disclosure.

As to communications between individual trustees and appointors, these were not documents which a beneficiary had a right to see. Although solicitors' letters to a trustee did seem to be trust documents in which the beneficiary had a proprietary right, letters to or from individual beneficiaries ought not to be open to inspection by another beneficiary. The precise form of the Court's declaration was to be settled later.

The Professions under Scrutiny

THE Robbins Committee's Report on Higher Education was restricted by its terms of reference to consideration of the nation's full-time educational system and it therefore had little to say about the training methods adopted by the many examining bodies that represent a large proportion of the professional people in the population. However, it found sufficient time to take a brief look at the way in which their students go about preparing for their qualifying examinations and has now published the results of its inquiries in one of the supplementary volumes that have so meticulously documented the Committee's activities.

In Appendix 2 (B)[1], the Committee has set out the information which it gathered from a general survey of many professional bodies ranging from accountants to textile technologists. This initial survey was principally concerned with obtaining information on membership and student strengths as they stood in January 1962, but a second one, conducted in March and April 1962, examined in greater detail the structure and composition of a sample of students and recently-qualified members of four of the largest associations, viz.: The Royal Institution of Chartered Surveyors, The Institute of Chartered Accountants in England and Wales, The Chartered Institute of Secretaries and The Law Society.

So far as the accountancy profession is concerned much of the information in the report has added little to what is already known about its affairs but it has provided what appears to be some interesting statistical confirmation of the allegations made by some educationists that accountancy is an 'O' level profession. This is brought out by the figures in the preceding table compiled from the results of inquiries into the general educational attainments of students of three of the four bodies included in the special survey.

	'A' levels			'O' levels		No G.C.E.	Total
	3 or more	2	1	5 or more	1–4		
I.C.A.	%	%	%	%	%	%	%
Group A.	19	17	10	52	1	—	100
Group B.	11	13	9	60	1	4	100
Group C.	19	7	6	64	1	3	100
C.I.S.							
Group A.	12	10	4	43	16	15	100
Group B.	8	10	7	36	12	26	100
Group C.	17	8	2	51	5	17	100
L.S. Groups							
A. and B.	29	21	9	35	2	4	100
Group C.	38	27	3	25	3	4	100

For the purpose of the survey the samples (apart from The Law Society) were divided into three categories, viz.: A. – students who had just registered; B. – students who had just passed their Intermediate examination; C. – students who had just passed their Final examination.

It will be seen that The Law Society (L.S.) took pride of place with the highest proportion of 'A' levels but it is equally notable that The Institute of Chartered Accountants in England and Wales (I.C.A.) had the lowest proportion of students without any G.C.E. passes. However, it is difficult to assess the precise significance of the latter as both The Law Society and The Chartered Institute of Secretaries (C.I.S.) probably have an above average proportion of overseas students many of whom may thus be prevented from sitting the G.C.E. examinations. Inquiries into the numbers of students holding university degrees showed that again The Law Society had the highest proportion with 30 per cent in Groups A. and B. and 55 per cent in Group C. The proportions for the English Institute were 9 per cent in Group A., 7 per cent in Group B. and 16 per cent in Group C.

It was natural that the Robbins Committee should show a lot of interest in the students' methods of study and its findings revealed that 88 per cent of the Chartered Accountants' Intermediate candidates and 80 per cent of the Finalists used only correspondence courses in preparing for their examinations. The Law Society students made greater use of full-time study facilities – 33 per cent of the Intermediate candidates and 86 per cent of the Finalists – but The Chartered Institute of Secretaries' students were proportionately more devoted to evening class tuition.

However, even during the two years that have passed since the Robbins Committee undertook this survey an undercurrent of change has become apparent in the accountancy profession's attitude to full-time training and co-operation with the institutions of higher education and there are signs that some of the old prejudices are beginning to crumble.

[1] *Higher Education.* Cmnd 2154. Appendix 2 (B). H.M.S.O. 27*s* 6*d* net.

Check-list for Internal Control

by JACK SAMMONS, A.A.C.C.A., A.C.W.A.
Internal Audit Manager, Sterling-Winthrop Group Ltd

ACCOUNTANT readers of this article will know that 'internal control' is the plan which an organization uses to promote operational efficiency, ensure reliability of information produced, and to safeguard its assets. The system of internal control for each business will depend on local circumstances but there are certain basic procedures which should be inherent in any system if it is to be regarded as sound.

The following list of important features is presented for those who wish to judge whether their own organization is based on a solid foundation of internal control.

Organization

(i) A published chart of the organization with vertical lines of responsibility clearly distinguished from lines of communication.

(ii) Each person responsible to one person only.

(iii) Responsibility of each person defined individually, precise and absolute so that overlaps are avoided.

(iv) Authority delegated in writing.

(v) Key employees made to take regular holidays with their duties assigned to others.

Accounting Control

(i) Use of journal entries restricted.

(ii) Attention to minimizing taxes and duties paid.

(iii) Control on transfer of cash or company property into the hands of third parties until this is returned or paid for in full.

(iv) Income due to the company accounted for in full, and all concessions, rights or privileges realized.

(v) Proper books of account and such statistics, statements, reports, charts and control ratios which contribute to decision-making or are required by law.

(vi) Balance sheet and profit and loss account shows a true and fair view.

(vii) Independent check on the agreement of balances and accounts produced.

Purchasing

(i) The right quantity bought at the right price and at the right time.

(ii) Competitive quotations obtained for significant purchases.

(iii) Storekeepers and goods-inwards supervisors independent of the buyer.

(iv) Value received for goods returned to suppliers.

Accounts Payable

(i) Invoices, credit notes and statements received by the accountant direct from suppliers.

(ii) Division of responsibility for purchasing, processing of purchase invoices, passing of invoices for payment, and the signing of cheques.

(iii) Invoices passed for payment only against reliable proof of goods or services received.

(iv) Settlement discounts obtained where economically justified.

(v) Independent investigation of amounts stated as overdue by suppliers.

(vi) Agreement in total of purchases with inventory records to ensure that all goods paid for are included.

Cash

(i) Cheques and other remittances endorsed over to company's bank account on receipt.

(ii) Control of cash received by mail, from staff or other sources.

(iii) Remittances banked promptly and intact.

(iv) Independent check on banking by reference to original records.

(v) Petty cash working on an imprest system and custodian independent of employees handling remittances or other cash receipts.

(vi) Advances of cash recorded, whether temporary or permanent.

(vii) Complete documentation and approval for payments made.

(viii) Vouchers cancelled or perforated to avoid duplicate payments.

(ix) Bank statements received direct by a nominee independent of the cashier.

(x) Independent verification of cash in hand and at the bank.

(xi) Control of cheques bought, cheques used and cheques in stock.

(xii) Two signatories to cheques, transfers and other demands on the bank.

(xiii) Prohibition of signing cheques in blank (i.e. excluding the name of the payee and amount).

(xiv) Cheque signatories initial supporting documentation to identify paperwork, presented to them in support of payments.

(xv) Check on prompt recording of transfers between bank accounts.

Payroll

(i) Independent control on total gross wages and salaries paid.

(ii) Authorized notification in writing to support all adjustments to the payroll for emoluments and deductions.

(iii) Control on time-keeping and absence.

(iv) Division of responsibility between staff preparing payroll, those making up wages, and those paying out.

(v) Special checks to guard against 'dummy' personnel on the payroll.

(vi) Custody outside the pay office of unclaimed wages, back-pay, tax refunds.

Inventory

(i) Stocks protected against fire, safety and security risks.

(ii) Stock issues properly documented and approved.

(iii) Writing off breakages, wastage, obsolete stock and shortages not the responsibility of the storekeeper.

(iv) Surprise independent verifications of stock with records.

(v) Control of transfers between stores.

Sales

(i) Proof that issues in respect of sales are invoiced promptly, and for the correct quantity and value.

(ii) Predetermined approval for adjustments to invoice prices, discounts and rebates.

(iii) Special examination and control of credit notes issued.

(iv) Prompt attention to customers' inquiries, orders and complaints.

(v) Promotion expenditure planned; progress charted; and results evaluated.

Accounts Receivable

(i) Credit control in relation to level of bad debts experienced and risk involved.

(ii) Predetermined approval for settlement terms, extended credit and sale or return arrangements.

(iii) A system which ensures that remittances are received for all invoices raised.

(iv) Control to ensure that cash discounts allowed are not excessive or allowed out of time.

(v) Regular review of outstanding and overdue accounts.

(vi) Adjustments to accounts receivable, and the writing off of bad debts, properly authorized.

(vii) Control for sundry accounts receivable (e.g. claims, rent, scrap sales) of the same standard as for trade accounts.

Property

(i) An inventory of equipment and valuable assets.

(ii) Periodic independent verification of existence of assets.

(iii) Records of disposal, with competitive quotations obtained for significant items sold.

Production

(i) Scheduling of production which ensures that the right quantity is manufactured to specification, and delivered within specified dates.

(ii) Reporting and control of production time wasted waiting for repairs, materials or work.

(iii) Reporting and control for excessive usage of materials, waste and production re-worked.

(iv) Quality control.

These most important checks should be included in every system of internal control where the size of the business permits. There are other important control procedures for businesses with branches, or other special interests, but those listed here have general application.

All systems and procedures used within a business need to be examined periodically, to see that they are still required and are still effective. The system of internal control is no exception and must be checked to see that controls are not being regarded as ends in themselves, but control something worth controlling without hampering the business. The accountant or internal auditor examining them will need to ensure that the maximum effect is obtained with the least expenditure of time and effort, simple controls such as the division of responsibility in vital functions, or the independent checking of accounts, are often the most effective.

An Investor's View of Company Accounts – III

by D. NAPPER, F.C.A.

The Balance Sheet

4. (a) *Fixed assets*

OUR conventional accounts *generally fail to provide the information which the investor wants, in two respects:*

First, he wants to know what type of fixed assets the company owns and where they are. He is at least as interested in their description as he is in the figures.

Secondly, he wants to know what they are worth in current values. This is a problem which we will discuss later.

Let us revert to our small company; suppose it is manufacturing in the North but has found that it needs a depot in London. What shall we see in the balance sheet?

Freehold and leasehold land and buildings at cost £60,000

We cannot expect a complete history of the company's development, but could not the shareholders be provided with a little more background information, e.g.:

		£
Land and buildings at cost:		
Freehold factory, Leeds:		
Original cost in 1945, plus additions	..	50,000
Leasehold warehouse at Acton:		
Premium paid in 1957 on short lease	..	10,000
		£60,000

This type of detailed information cannot be expected in the shareholders' accounts when the company grows, but this does not invalidate the claim of the investor when the information can reasonably be given. Some companies could well distinguish, in total, between a factory, shops, and employee houses. A comparatively large brewing company could show its brewery and bottling depots separately from its public houses.

The phrase 'short lease' is derived from the Company Law Committee recommendation[1] that leases with less than fifty years to run should be treated as short leases, and distinguished in the balance sheet from long leases and from freeholds. It will be remembered that the Committee also recommended that if any fixed assets are shown at a valuation in the balance sheet, it should be stated:

(i) what assets were revalued,
(ii) when they were revalued, and
(iii) in the first relevant balance sheet, by whom and on what basis, they were revalued.

[1]Paragraph 369 (*a*) and (*b*), C.L.C.

4. (b) *Unquoted investments*

This is another heading under which more thought could be given to the description of the assets in the accounts of trading or manufacturing companies. If the investment is in only one company, could not the name of the company be given? If the remaining shares in the company are held by the directors or by common shareholders, could we not insert the description, 'Associated Company'? If the shares are preference shares or if they represent exactly 50 per cent of the equity or of the voting control of the associated company, should not this information be disclosed on the balance sheet?

This is a difficult point on which to generalize, but, in practice, we often find loans and advances to associated companies – as well as loans to subsidiaries – included in the current assets when the facts indicate that they are not currently realizable. Again, as a matter of practice, shares in and loans to associated and other companies do not lend themselves to inclusion with other fixed assets. For this reason, I believe that the best practice is to group both the shares and the loans under a separate heading between the fixed and the current assets.

4. (c) *Intangible assets*

The investor viewing the balance sheet as a statement of net assets, will disregard these 'fictitious items'. He will 'write them off' by deducting the figure attributed to them from the total capital and reserves.

The investor automatically treats the value of goodwill as the difference between the value of the equity shares on an earnings basis and the value on an asset basis. If he has only book values on which to compute his asset basis, he will not wish to include the balance sheet value of goodwill.

This is not to suggest that where there are no actual earnings, there is no goodwill – this is clearly untrue in the distributive trades at least – it is merely to say that the figure attributed to it in the balance sheet is irrelevant to its value from the investors' point of view.

In a modern vertical form of balance sheet, goodwill arising on consolidation is often *deducted from the capital and reserves*. Although we may now be reverting to the two-sided balance sheet, chiefly because it fits more conveniently the size of paper

The concluding part of a paper presented at the Cambridge Summer Course of The Institute of Chartered Accountants in England and Wales on September 11th.

used for published accounts, *why should we not deduct goodwill and other intangible assets in the same way?*

One of the items to be included in the proposed new five-year record is 'The issued share capital and reserves, including balance on profit and loss account'. Again, this is not a very useful figure unless the intangible assets are deducted from the total, which might more simply be described as 'Net Tangible Assets'.

4. (d) Share Capital

The changes in the share capital during the financial year are of immediate interest to the investor. He will want rather more detail than can usually be incorporated on the face of the balance sheet. He would prefer to see the detail as the first note to the balance sheet, even though he will have to turn to the directors' report and/or the chairman's statement for the relevant comment. He will be concerned to know whether the additional shares were issued by capitalization of profits, or for cash or other consideration and, if so, at what price they were issued. If an issue for cash was not made by way of rights, he will be even more interested in the circumstances of the issue.

The equity investor in a quoted company will also need a five-year capital history in order to complete the picture provided by the five-year profit record.[1] In the case of unquoted companies, it would, I think, be sufficient if the proposed five-year record included a column showing the share capital at the end of each year.

Capital and Dividend Cover

5. (a) Capital cover

(i) Prior charges, loan stocks and preference shares

The capital cover is normally calculated on balance sheet values, excluding intangible assets; it may then be adjusted by the substitution of real values or the market values of quoted investments where these are available.

If the capital cover were to be set out in full, it would take the following form:

		£
(a) Freehold factories at Bermondsey and Cardiff (See note)		400,000
To Cover:		
6½ per cent First Mortgage Debenture Stock, 1979–81		200,000
Surplus on First Fixed Charge ..		200,000
Add:	£	
Other fixed assets ..	150,000	
Net Current Assets after deducting secured Bank overdraft ..	250,000	
		400,000
Surplus on Fixed and Floating Charges		£600,000

[1] See 5 (b) (IV) *infra*.

Note: The freehold factories are shown at valuation in 1961, plus additions. The valuation was made by.......... on a willing buyer/willing seller basis.

	£
(b) Net Tangible Assets (before deducting the Loan Stock shown below, but after deducting Future Income Tax) ..	550,000
To cover:	
7 per cent Unsecured Loan Stock ..	100,000
Surplus	£450,000

	£
(c) Net Tangible Assets (after deducting Future Income Tax)	450,000
To Cover:	
8 per cent Cumulative Preference Shares at par	50,000
Surplus	£400,000

It is not usual to see the cover set out in this form. In most cases it is expressed, somewhat misleadingly, in the following terms:

(a) 'The debenture stock would be covered *twice* by the properties alone and *four* times by the net assets of the company'.

(b) 'The unsecured loan stock is covered more than *five* times on assets.'

(c) 'The preference shares are covered *nine* times as to capital.'

The implication that the preference shares constitute a better security than the loan stocks must be avoided; it is a basic fallacy in the use of 'Number of Times Covered'.

(ii) Net asset value of the equity

The net assets applicable to the ordinary shareholdings are normally expressed as a net asset value per share. It is often difficult to see from the context how future income tax has been treated in making this calculation. Where it is material, I would prefer to see the figure stated both before and after deducting both future income tax and tax equalization account, though clearly it is important that the basis should be stated. *Any goodwill or intangible assets appearing in the balance sheet will normally be eliminated in making the calculation.*

5. (b) Income cover

(i) Methods of calculation

There are two differing views on the calculation of income cover.

On the one hand, the Press, the information services, and the stock-market generally calculate the cover for the preference and ordinary dividends in past years – particularly the last year – using as a basis the profit for the year *after* all tax, and grossing up the resulting figure at the standard rate of income tax. This is a well-established practice, which may have grown up in the halcyon days when rates of company taxation were only nominal and companies only reported profits after tax. It automatically includes in the earnings for the equity shareholder

COVER FOR ORDINARY DIVIDEND

Income Tax: 7*s* 9*d*
Profits Tax: 15 per cent

Calculation Gross

	£
Profit before tax	220,500
Less: Gross Equivalent of Profits Tax at 15 per cent (12/49ths)	54,000
	166,500
Gross preference dividend, say 8 per cent on £331,250	26,500
Available for ordinary (gross)	140,000
Gross ordinary Dividend, say 14 per cent on £500,000	70,000
	£70,000
Number of times covered	2 times
Earnings yield, on £500,000 at par	28 per cent

Notes:
(1) This method assumes that normal rates of tax will apply to *future* profits.
(2) The balance of £70,000 would require income tax at 7*s* 9*d* or £27,125 to be deducted to give the retained profit (net) of £42,875.
(3) The maximum gross dividend payable out of a given profit before tax is 37/49ths or 75·5 per cent of the profit.

Calculation Net

	£
Profit after tax	101,981
Preference dividend (net)	16,231
Available for ordinary (net)	85,750
Ordinary dividend (net)	42,875
	£42,875
Number of times covered	2 times
Earnings yield, £85,750 on £500,000 = 17·15 per cent grossed up at 7*s* 9*d*	28 per cent

Note:
(1) If, owing to past losses or capital allowances, no tax were payable in a given year, the 'profit after tax' would be £220,500. This method would then show the ordinary dividend as nearly 4·8 times covered, and the earnings yield as 66·7 per cent.

the benefit which he has had from any subnormal tax charge in the particular year – and reflects *per contra*, any unduly high tax charge. Certainly, this is factual in relation to the past.

On the other hand, the directors of all smaller and medium-sized companies do not talk in terms of profit after tax. Nor, generally, do the chairmen of the larger companies. Whenever a forecast is made, it is in terms of profit *before* tax. It has therefore always seemed to me more logical to start the calculation with profit for the year before tax. This basis assumes a normal tax charge, but makes the calculation more complicated, in that profits tax has to be grossed up for income tax.

Since a normal tax charge based on current rates of tax is assumed in the 'future prospects' section of a prospectus, the two methods will give the same answer when a future profit estimate is being considered. On the other hand, the earnings figure based on past profits will differ for the reasons set out above. A comparison of the two methods is set out in the example above.

Another point for consideration is the treatment of annual repayments on prior charges. In calculating income cover, interest on loans and debentures will have been charged against profits, whether before or after tax. If the company has to make an annual transfer to a sinking fund for repayment of a loan, or if it repays the loan by annual instalments and makes an annual transfer to redemption reserve of an equal amount (out of taxed profits), it is usual to charge the amount of the transfer in the calculation of earnings yields. On the other hand, if the loan is repayable at the end of a period of years, no such deduction is made.

Personally I do not consider that such transfers fall to be deducted in calculating the earnings. The earnings are still there whether in revenue reserves or in a redemption reserve or sinking fund. The repayment is a cash transaction, and the calculation of earnings is not intended to indicate the cash position, which is dependent on any number of other factors. I agree that the repayment may in fact restrict the dividend and therefore should be mentioned as a comment on the earnings yield, but this applies equally to any repayment by instalments whether on mortgages, hire-purchase commitments, or loans.

Income cover is often expressed in terms of 'Number of Times Covered'; the fallacy in this method of expression has already been pointed out in an earlier paragraph. Alternatively, priority percentages may be used. But the difficulty here is to establish the starting-point for the percentages. Company A. may require 0–20 per cent of its profits before loan interest for the service of its loan capital, leaving 20–35 per cent for its preference dividends. On the other hand, Company B., in similar circumstances but paying a higher rent and borrowing from the bank instead of in the form of loan capital, will be able to show a similar preference dividend as requiring 0–16 per cent of profits. This is a reflection of a change in the starting-point of the calculation, not of the desirability of investing in Company B.

(ii) Loans and debenture stocks

The cover for the service of such a stock, repayable by annual instalments could be set out as illustrated.

It will be appreciated that, at full current rates of tax, the net cost to the company of a loan is only

INCOME COVER FOR AN ISSUE OF £444,000 6 PER CENT DEBENTURE STOCK

Income Tax: 7*s* 9*d*
Profits Tax: 15 per cent

Profit available – after adding back interest on any sums to be repaid out of the proceeds of the issue:

Calculation Gross

	£	£
Average profit before tax for the three years to December 31st, 19..		320,000
Requirement:		
Interest (gross)	26,640	
Annual repayment £29,600, grossed up at 10*s* 9*d* (80/37ths)	64,000	90,640
Surplus, subject to profits tax and income tax		£229,360

Calculation Net

	£	£
Average profit after tax for the three years to December 31st, 19..		148,000
Interest (net)	16,317	
Less: Saving in profits tax (15 per cent on £26,640)	3,996	
	12,321	
Annual repayment	29,600	41,921
Net Surplus		£106,079

37/80ths of the gross interest payable. The cost to the company of the preference dividend of the *same* gross figure is 49/80ths of the gross dividend. Other considerations apart, a preference dividend of 7·4 per cent therefore costs the company as much as a loan at 9·8 per cent interest. If, however, the recipient is assessable to profits tax, the preference dividend will normally constitute franked investment income.

(iii) Preference and ordinary shares

The validity of the calculations of dividend cover and earnings depends not so much on the basis of calculation as upon the profit figure upon which it is based. In quoted companies, the figure normally taken is that shown as 'Profit for the year after tax'; if this description does not appear, the figure will be picked out from the profit and loss account. Adjustments may be made for special profits and losses which appear on the face of the profit and loss account, but it is always open to doubt whether adjustments will be made for such items when they appear only in the notes and particularly when they appear only in the notes to the balance sheet.

It is true that items appearing only in the movements on reserves should not affect the profit for the year, but, in practice, losses on exchange, losses on overseas subsidiaries, and special amounts written off developments require examination to see whether they are of a trading nature. It has already been suggested that all such movements on reserves should be shown in or alongside the profit and loss account.

Given the profit figure for the year, the calculation of the cover for the preference dividend does not raise any special problems. Using the example set out on page 638 the preference dividend would be said to be covered nearly 6·3 times.

The calculation of earnings yields is set out in the same example. The 'gross' method of calculation, by assumption, does not take into account investment allowances. Where the calculation is made on the 'net' basis and the company shows in its accounts the amount by which the tax charge has been reduced in the year, the profit after tax can be adjusted to eliminate the amount of the tax saving. A new and lower earnings yield can then be computed 'without benefit of investment allowances'.

Where there are material minority interests in subsidiaries, the profit or loss of the subsidiary attributable to them is nearly always shown net of taxation in the accounts. The calculation net is based on the profit of the group after deducting the profit attributable to minority interests and therefore requires no further adjustment. The calculation gross, however, runs into difficulty at this point. The minority interests in profit must be grossed up for tax at, say, 10*s* 9*d* in the £, before being deducted from group profit before tax. Losses attributable to minority interests are nevertheless added back without adjustment for tax.

(iv) Adjusted earnings yields and growth

We have examined the basis of calculating earnings yields at par at some length because they are dependent on the profit figures shown in the accounts. I do not propose to enlarge on the other calculations made by an investment analyst – yields at market prices are straightforward – earnings per share are used in countries with decimal currencies and shares of no par value – redemption yields will vary with the investor's rate of tax. I would, however, like to refer to the distinction between the expansion of profits and growth for equity.

In the five- or ten-year profit record of a quoted company, we may see a series of increasing profits over the period. This expansion may be due to increased efficiency or to other true growth factors, including the use of profit retentions; but on the other hand, it may have arisen from the employment of new money. These additional funds may have been raised:

(1) In the form of loan or preference capital, i.e. by increased gearing (see NOTE on page 640).

(2) By the issue of loan and share capital in exchange for new acquisitions. In the case of loans and preference shares, this will also have a gearing effect.

(3) By rights issues or the subscription of ordinary shares for cash.

In addition to the raising of new money, the quoted company may also have made, during the period of the profit record, both bonus issues and rights issues with a bonus element.

In these circumstances, it will be appreciated that neither the expanding profit record, nor even the earnings yields at par will give the equity shareholder the true picture of growth for equity. To obtain a valid picture, the earnings yields at par for each year require to be adjusted for bonus issues and for the bonus element in the rights issues. The arithmetic is not difficult, but in the case of a rights issue, the cum-rights or the ex-rights market price is required.

It will be apparent therefore that, although the proposed five-year profit record, and the ten-year records already published by the more progressive quoted companies are steps in the right direction, the more sophisticated equity investor requires the profit record to be accompanied by a table setting out, in some detail, the capital history of, and the record of acquisitions by, the company during the same period. This information is generally available for the larger quoted companies from the information services. In the case of a prospectus, it is only available in part, and *the equity investor, trying to distinguish the expansion in profits from the growth for equity, is inevitably left groping in the dark.*

The Future of the Balance Sheet

6. Preliminary

In our first paragraph we suggested that, while a company was successful, the equity investor would only show a passing interest in the balance sheet. One way to gauge the success of the company and its management is to calculate the return on capital employed and to compare it with that of other companies in the same industry. It is a moot point as to whether we are justified in making this attempt when the assets are shown in the balance sheet *in pounds sterling of such differing current values.* What is the use of comparing the company with properties in its balance sheet at pre-war cost with the company which shows its properties at current cost or up-to-date values?

Another point at which the investor is deeply concerned with the balance sheet is when a change of control is in prospect. With the first mention of a take-over bid, the investor in a quoted company sets off on a careful analysis of the assets which will be available to the party taking control. The accountant in practice is well aware of the frequency with which he is called on to advise on the acquisition of unquoted companies and comes face to face with the problem of balance sheet values.

NOTE: Assuming an adequate return is earned on new money, higher gearing will increase the benefit to the equity of any expansion, but it will also make the equity more vulnerable to a fall in profits. It should also be noted that the effective gearing will automatically run down if the borrowings and preference capital are not increased in proportion to the total equity including profit retentions. Many companies show progressively smaller increases in equity earnings through failure to maintain the effective gearing.

I believe that *every investor regards the balance sheet as a statement of net worth,* not necessarily current worth perhaps, but a statement of worth nevertheless. And, as such, it is a very inefficient document – and the investor knows that too – and blames it, to a greater or lesser extent, on our profession and its inability to move with the times.

6. (a) The present balance sheet

Recommendation N.15 of the Recommendations on Accounting Principles issued to its members by The Institute of Chartered Accountants in England and Wales states that:

> 'It has long been accepted in accounting practice that a balance sheet . . . is an historical record and NOT a statement of current worth.'

The Committee on Company Law found it necessary to repeat this declaration, 'at length because we think that the function of company accounts may not be fully appreciated by those investors unfamiliar with accounting principles and practices.'[1]

Why, you may ask, should an investor, especially an individual investor, need to familiarize himself with these principles? He does not want to become an accountant. He only wants to understand the document which we have prepared *for him,* to inform him about the state of the company's affairs – or the state of *his* business as he would put it. Why should he concern himself with what he regards as the mystiques of our profession?

6. (b) The Kylsant *case*

I believe that this famous case warrants some detailed examination at this stage.[2]

Although the trial did not commence until 1931, the charges referred to the accounts for 1926 and 1927. At that time, the auditor had no legal responsibility for the profit and loss account; he only certified the balance sheet as being true and correct. Nor was there any obligation to produce group or consolidated accounts. Apart from the legal position, it must also be remembered that, by tradition, the audit at that time was directed towards ensuring that the financial position of the company was at least as good as that shown by the balance sheet. As to secret reserves, it was considered highly desirable that a respected public company or a City institution should build up reserves; whether they should be disclosed or not was – as with the banks today – a moot point.

Lord Kylsant, a highly respected public figure in the City, and well known as chairman of the Royal Mail Steam Packet Co, was charged with publishing the annual reports of that company for 1926 and 1927 knowing them to be false in a material particular.

[1] Paragraph 333, C.L.C.

[2] *The Royal Mail Case,* edited by Collin Brooks, published by William Hodge & Co Ltd, 1933.

The auditor, a pillar of our profession, was charged with aiding and abetting the commission of that offence. Lord Kyslant was also charged with publishing a prospectus which he knew to be false in a material particular with intent to induce persons to advance and invest money.

The facts were straightforward, if not simple. During the First World War, in common with other shipping companies, the R.M.S.P. had realized that there would be a shipping slump at the end of the war. It had therefore built up large reserves – both tax reserves and reserves in subsidiary companies – which could be brought into the parent company's accounts by way of dividend or bonus shares. There was no specific legal obligation to disclose the existence of these reserves. They had been built up to meet the very contingency which later arose.

When the company in fact made trading losses – from 1921–27 – these undisclosed reserves were used to eliminate the deficit and to show a net surplus. This surplus was described in the profit and loss account as 'Balance for the year, including dividends on shares in allied and other companies, adjustment of taxation, reserves, less depreciation of fleet, etc.'.

The auditor was supported in the witness box by the then presidents of both the Institute and the Society. The greatest counsel of the time were unable to find any specific word or figure either in the balance sheet or the profit and loss account which was of itself untrue. Both Lord Kylsant and the auditor were therefore acquitted on the charges relating to the balance sheet and accounts. For quite different reasons, Lord Kylsant was found guilty on the charge relating to the prospectus.

Though no single entry in the accounts was untrue, the accounts as a whole did not give what we now call a true and fair view. While the auditor had acted according to his conscience and within the framework of the law and accounting conventions of the time, it was *the law and the accounting conventions which were out of date.*

The Companies Act, 1929, had come into force before the case was heard in Court, but the accounting profession, which was considerably shaken, took the lessons of secret reserves and undervaluations seriously to heart. Nevertheless, it was not until the Companies Act, 1948, that, with some misgivings, group accounts became a legal requirement, and the auditor was required to state whether in his opinion the profit and loss account showed a true and fair view. The question clearly arises as to whether our present concept of the balance sheet is not equally out of date. *Must we wait for another* Kylsant *case before we take another step forward?*

6. (c) The Company Law Committee

This committee considered the balance sheet and took the view, which could scarcely be disputed at the present stage of accounting development, that the historical cost basis of accounting, which is used almost universally, should continue to be the basis on which company accounts are prepared. It was equally definite, however, in saying such accounts '*may need to be accompanied by supplementary information in order to give shareholders the true and fair view required by the Act.*'[1]

'In small businesses some indication of the current value of their properties (as compared with their book value) might be given by listing short particulars of the properties; in large businesses that would be altogether too cumbersome. In some cases, information about land and buildings might be given by showing them at cost less depreciation and grouping them according to the period during which they were acquired, but in many cases continual additions and improvements to the land and buildings since acquisition might make this meaningless . . . We have therefore come to the conclusion that it would be impracticable to deal with this problem by adding to the statutory requirements in the Eighth Schedule.'[2]

The Committee therefore put the responsibility back on the directors and recommended, as we have already seen, that the directors' report (or other document) should contain:

> 'An indication of any substantial difference between the current market value of the company's fixed assets and their book value, where this has not been indicated in the accounts and where the difference is, in the directors' opinion, of real significance to the shareholders.'[3]

Strictly in relation to property companies, but surely capable of wider interpretation, the committee concluded:

> 'We think that *good practice should require the provision of information about properties*, although we do not think it should be required by law. We therefore look to the appropriate City institutions to encourage its provision.'[4]

6. (d) The problem of revision

The problems and difficulties of amending our conventions are easily stated. When is the difference (between the current market value of the fixed assets and the book value) of real significance? In what terms can the difference be expressed? At what point do the properties at cost need to be accompanied by supplementary information? How much supplementary information is required to show a true and fair view?

Take an old-established company which took out a ninety-nine-year lease on a building in Piccadilly in 1910 for its London office at the then rack-rent of, say, £4,000 a year. If the building has been maintained and modernized it could appear in the balance sheet at cost less depreciation at any figure from nil to £50,000 and be worth £$\frac{1}{4}$ million. Is it sufficient for the directors to say that it appears in the balance sheet

[1] Paragraph 334, C.L.C.
[2] Paragraphs 358–360, C.L.C.
[3] Paragraph 122 (*a*) (*v*), C.L.C.
[4] Paragraph 362, C.L.C.

CITY CENTRE PROPERTIES LTD *Example V*

Note 6 on the Accounts, March 25th, 1963

Properties		*The Company* At Cost £	*The Company* At Valuation £	*The Group* At Cost £	*The Group* At Valuation £
FREEHOLDS					
At cost, or book value July 1st,	1948	1,697,577		24,770,950	
At professional valuation –	1955		132,500		282,450
	1958				46,500
	1959				6,771,775
	1960				4,500
	1961				2,182,263
At Directors' valuation –	1959				357,500
	1961				1,250,000
LEASEHOLDS					
At cost, or book value July 1st,	1948	893,840		27,783,690	
At professional valuation –	1937				247,500
	1955		686,000		2,572,829
	1958				561,000
	1959				3,380,000
	1961				1,256,304
At Directors' valuation –	1959				1,494,000
	1960				510,000
PARTLY FREEHOLD AND PARTLY LEASHOLD					
At cost, or book value July 1st,	1948			5,531,550	
At professional valuation –	1955				800
	1959				122,000
		£2,591,417	£818,500	£58,086,190	£21,039,421

The Directors are of the opinion that the present value of the properties shown at cost or book value July 1st, 1948, is in excess of the value stated.

'at a figure substantially below its real value?' Would the details of the lease and the dates of the capital expenditure provide sufficient information for the investor to form his own view of current value? The Institute of Chartered Accountants in Scotland recommended to the Company Law Committee that the fixed assets acquired within the preceding fifteen years should be shown separately from those acquired earlier, unless they had been revalued within the same period. The Society of Investment Analysts suggested in principle that published accounts should include an up-to-date revaluation of fixed assets at not more than five-yearly intervals, but thought that maybe this was a subject for special study. So far as freehold property is concerned, does a schedule of the years in which the capital expenditure was incurred provide the answer? This solution has been adopted by City Centre Properties, with whose permission Example V is reproduced.

6. (e) Revaluations

The number of large companies which have not revalued their properties within, say, the last ten years is slowly diminishing. The fact that properties or other assets are specific to a particular industry does not necessarily make them incapable of revaluation. A ship may well be built for a specific trade, but it is no more difficult to value than many a property which can be developed for a number of different purposes. It only makes it more important to state the date and basis of valuation.

It must be admitted that revaluation of land and buildings is not an infallible solution. There are textile companies which wrote revaluations 'on a going concern basis' into their balance sheets after the war, who have since had to write back the surplus on revaluation. For the same reason insurance values, which may be on a reinstatement-as-new basis, are not a practical solution.

It is also said that a revaluation does not add a penny to the profit of the company. But it may well give an indication that some part of the business is comparatively unremunerative and suggest some course of action to the management. Many complain of the cost of a proposed revaluation, but how many shareholders have actually suffered in the long run? *Is it not a question of management being unwilling to part with information to other shareholders, until a take-over bid arrives?*

6. (f) Conclusion

The investor still treats the balance sheet as though it were a statement of net worth, even though he knows that it is not. Many in industry believe that it should be.

The process of reconciling our present accounting concepts with this view will take time and proceed through many stages. It will require the closest co-operation between the directors and auditors – between industry and the profession. It will be delayed until we are convinced that the time is ripe for greater disclosure to investors and shareholders. But I believe that the disclosure of secret reserves built up by valuing land and buildings at cost is the most urgent accounting problem facing the profession today. (*Concluded.*)

Weekly Notes

THE FUTURE OF STERLING

THE trend of the pound over the week-end suggested that last week's Budget had not succeeded in convincing overseas interests that the Government realized the full seriousness of the balance of payments deficit nor that it was in earnest in the measures taken to cure it. The Prime Minister therefore devoted a considerable part of his speech at the Lord Mayor's banquet last Monday to the Government's intention to maintain the value of the pound and to a warning to speculators to be prepared to pay the price for their lack of faith in Britain. He said that the Government would not hesitate to take any further steps that may become necessary and expressed his confidence that the country's problems will be solved by a great effort of production and salesmanship. He said that the City has a great part to play in its unique contribution to invisible exports, which the Government would help and foster, and in the provision of services to industry.

In the short term the threat to sterling is increased by the general trend abroad of rising interest rates and by fears that a Labour Government, traditionally anxious to increase social expenditure, will in the last resort fail to be sufficiently ruthless in defence of sterling. These fears were probably strengthened by the Budget. The measures taken by the Government to close the trade gap, including the 15 per cent surcharge on imports, cannot be expected to be effective until the new year. The Government must therefore be very concerned to strengthen confidence abroad particularly over the next two months.

INDUSTRIAL TRENDS SURVEY

THE latest industrial trends inquiry conducted by the Federation of British Industries covers the five months prior to the Queen's Speech. According to the 836 replies from the enlarged panel of companies, both exports and industrial output have been rising during the past five months.

Looking ahead for the next three months, about one-third of the firms which completed the Export Survey (633) are more optimistic about their export prospects than they were at the time of the previous inquiry; only 12 per cent of the respondent exporting firms are less optimistic. The respondents state that price continues to be the most important single limiting factor to obtaining more export orders. The proportion of respondent firms making this point is most marked among those engaged in metal manufacture, electrical engineering and shipbuilding.

The proportion of firms currently working to capacity is little over half the respondent firms, much the same as it was in the preceding inquiry. Investment intentions do not appear to have changed during this period, although there are signs of an upward trend in orders for capital equipment. The supply of skilled labour is an important and frequently quoted factor in limiting output. This difficulty is more marked in the mechanical engineering industries than in others, although it is considerable in electrical engineering as well. Both these two industries report a shortage of materials and components.

This evident and continuing contrast between the official data and the information provided by individual firms is puzzling. The official index of industrial production has been static for virtually the entire year and its pattern has been confirmed by the latest quarterly figures for the gross national income. There is an obvious need for an impartial examination of the statistics from both private and public sources, more especially as reliable economic indicators are essential if short-term economic planning is to be effective.

B.B.C.'s 'HOW-TO-DO-IT' SERIES FOR MANAGEMENT

STARTING on January 5th, in its Tuesday Term feature, B.B.C.-2 is to present what it describes as 'an opportunity to study how modern economic ideas and techniques can be applied to industrial and business management'.

The subject of this exercise will be a fictitious company, 'Fothergale Co Ltd' – whose name provides the title of the series – which has been created (even to the extent of having it formally registered), and 'to make sure that there is maximum accuracy and a realistic atmosphere' the imagined history of the firm – its financial structure, factory layout, production figures and staff situation – has been 'worked out in minute detail' for the three years before the programme opens.

But as the B.B.C. Press Service handout validly comments, 'this is a series with a difference'; in fact, it seems to us that it will be so different as completely to thwart the realistic and accurate picture the producers seek to present. Accountancy, it appears, is to be given a distinctly minor role in the affairs of 'Fothergale Co Ltd'; the 'man of the moment' being the 'commercial manager' who is an economist and statistician. Indeed, it was stated at a B.B.C. Press conference on the programme last week, that the fictitious firm's chief accountant is to be 'sacked' in the very first of the eight half-hour weekly dramatized instalments comprising the series. So with him out of the way, the commercial manager (an L.S.E. character who studied some accountancy as a sideline) will have a clear field.

True, it was stated that marginal costing and the

treatment of overheads will be introduced, but it will be interesting to see how the economic-statistician interprets and deals with these subjects. Taxation, however, and the implications of this vital factor in management decisions, will not come into the picture at all in this fictitious company's fictitious affairs. 'We have ignored the question of taxation' was the reply to a question at the Press conference, in view of which – with the other vagaries we have mentioned – there would seem to be little doubt that 'Fothergale Co Ltd' will be fiction indeed.

Nevertheless, the profession cannot do other than regard this further apparent denigration of the 'image' of the accountant – in what is intended to be a serious programme presented in dramatized form – with considerable distaste.

Notwithstanding what we can but regard as unfortunate omens of its doubtful authenticity, we shall view this programme with curiosity, if not interest, and intend to comment upon it week by week. It is only to be hoped that the pudding will not be quite so professionally unpalatable in the eating as the ingredients portend.

M.P.'s PAY

THE main objection to the Government's acceptance of the Lawrence Committee's recommendation that M.P.'s pay should be increased from £1,750 to £3,250 a year lies in the timing. However inadequate the previous levels of pay, a rise of 85 per cent seems somewhat inappropriate at a time when the Government are taking measures to overcome a serious balance of payments crisis and are making strong efforts to get all sections of the community to agree to an incomes policy. To some extent the Government have recognized this by limiting the increases in Ministerial salaries to half those recommended by the Committee and deferring them to April 1st, 1965. By contrast the rise in M.P.'s salaries is back-dated to the first day of the present session. The Prime Minister will thus receive £14,000 per annum instead of the recommended £18,000, while Cabinet Ministers will receive £8,500 instead of £12,000. The Opposition Chief Whip will for the first time receive a salary of £3,750 because of his onerous duties in the modern Parliament.

Apart from this, most people would probably agree that under present-day conditions the salaries of M.P.s should be such as to permit them a similar standard of living to that of the middle income professional groups. Out of his salary an M.P. will usually have to pay a secretary besides increasingly heavy postage costs. When all expenses are taken into account the new net salary will probably be about £2,000 a year, and in fact when the increase was announced it was stated that to allow for exceptionally heavy expenses, an allowance of £1,250 was included in the gross salary. British M.P.s will continue to receive less than most of their counterparts in similarly developed countries overseas.

LOCAL GOVERNMENT AFFAIRS . . .

IF the 1963 revaluation has done nothing else it has brought to a head the debate on the future of local government in England and Wales. The Allen Committee will soon be reporting on the defects of the rating system; a departmental committee in the Ministry of Housing and Local Government is reviewing the entire structure of local finance and, not least, its relations with the Exchequer; two further committees under the chairmanship of Sir John Maud and Sir George Mallaby are currently considering respectively how to continue attracting the best people into local government service and how its staff may best be deployed. There is every probability that the next few years may witness fundamental changes both in the structure and finance of local government.

The Rating and Valuation Association has submitted its views to the Maud and Mallaby Committees. To the former body it has stressed that a 'strengthening of local rate revenue is possible and desirable, and will lessen dependence on Government grants', on the obvious grounds that independent and competent people will not be attracted into posts and careers where they are merely performing the routine functions allocated to them by Whitehall. The Association also recommends an interchange of senior staff between central and local government, but more contentious is their recommendation that county councillors might be elected by borough and district councils, in view of widespread public indifference to county elections.

The Association repeats its recommendation for interchange of staff to the Mallaby Committee, making at the same time the good point that 'reasonable prospects of advancement rather than security of employment' are the basis of any effective recruitment policy. A better utilization of subordinate staff by more delegation is advised and the release of staff for study courses is supported. These are sound views, and while they may not at first appear to contribute to any reduction in local government costs they should have a long-term effect in raising the efficiency and quality of staff.

. . . AND THE MATTER OF FINANCE

READERS will doubtless recall that last February the Rating and Valuation Association published the results of its pilot survey of site value rating as it might operate in the town of Whitstable. The main feature of this report, which attracted much attention, was that such a system of valuation would have the result of easing the rate burden of the domestic ratepayer at the expense of the landowner, more especially the owner of undeveloped land. The Liberal Party adopted this system in its electoral programme in preference to the present rating system.

The Royal Institution of Chartered Surveyors has now prepared a report upon site value rating which is

highly critical and follows the Simes Committee which in 1952 rejected the proposal. The Chartered Surveyors raise a number of objections such as that site value rating would lead to much greater hardship, pose many problems of valuation, result in an increased number of appeals, and would lack stability because of frequent changes in the valuation list. While they concede that the system works in other countries, in Britain considerable difficulties of valuation would arise because the complicated system of land tenure, the imprecise nature of development plans (which greatly affect the value of undeveloped land) and the lack of reliable evidence on which valuations can be based.

The criticisms are not new. At the recent Rating and Valuation Association's annual conference several speakers spoke critically of site value rating and the complications which would ensue from its adoption. On the other hand, it needs to be stressed that transitional difficulties arise in any change-over from one system to another. Furthermore, to argue as does the Chartered Surveyors' Committee, that the resultant shift of the burden from householders on to public land would mean increased rates for all ratepayers,

---

This is My Life . . .

by An Industrious Accountant

CHAPTER 251

OUR personnel director, Prinny, and I were flying to London, following receipt of the quinquennial report from our actuaries on the finances of our pension scheme. The yield from our investment fund had turned out substantially better than anticipated and I wanted a chat with our stockbrokers on future policy.

Prinny wasn't quite so interested in redemption dates or unit trust tax deductions, but he came along for the ride. He still tends to believe, in defiance of all past experience, that some day, somewhere, some stockbroker will tip him off to something really hot ('buy ten thousand at 15*s* and sell when they reach 50*s* ex div.') and he'll make a fortune overnight. What hopes – particularly in view of what is in store in the next Budget!

He awoke from this blissful phantasy to see murky grey clouds swirling around the port holes. I observed that we were descending rapidly but visibility was still about three feet. Prinny drummed his fingers and looked uneasy; the Viscount was creaking and pitching more than somewhat, and passengers were glancing around at one another and fumbling with their safety belts.

'Never mind', I assured him with assumed heartiness, wilfully disregarding the buzzing in my ears, 'we're well covered insurance-wise. Remember that lump-sum personal accident policy we've been carrying; our wives will be able to afford black mink if necessary, bless them!'

'Lump sum, my foot,' responded Prinny aggrievedly. 'It's us who look like getting the lumps; they'll only get an annuity out of it.' He swallowed nervously and I must admit that a slight sickish sensation manifested itself in my own stomach. You see, we've been carrying this particular policy since the war years. The idea is that company staff travelling on business incur extra risk, over and above the normal average, from plane or car accident and so forth. So we insure them, when travelling, for a sum approximately three times their salary, against death or injury due to accident.

The premium is actually very cheap, a few shillings per cent, and we cover people from the time of departure from home till their return, or 'door to door' in insurance jargon. The policy is, of course, in the firm's name, on the theory that it's being reimbursed for the loss and inconvenience arising if an executive is eradicated at short notice; this explanation naturally excludes the lump sum from the deceased's assets for estate duty purposes. It also enables us to assess the most suitable beneficiary in case of domestic upset or strife, where widow's or children's claims might be irreconcilable.

But it hadn't occurred to me that our board would do other than hand over the receipts promptly to the widows in normal cases. True, we'd never yet had a case to consider, but still . . . the fog outside grew darker . . . I nudged Prinny hard with my elbow and asked him what exactly he was driving at. Did the firm propose to make a profit out of the tragic self-sacrifice of its devoted staff?

'The widows have no legal claims; anyhow they might spend it all foolishly. It's in the children's interests to pay an annual allowance,' he began. 'Paternalistic nonsense,' I objected heatedly. 'Suppose the company folded up next year? Or was taken over and the liability repudiated? What about the children in that case?'

The director was taken at a disadvantage. Having been disgruntled enough to admit that the board might pay only in driblets, so to speak, he was precluded from pleading that they wouldn't act so meanly in our case. Personally, I felt outraged. Retention was obviously all right for others, but certainly not for me.

Our argument grew so controversial that we never noticed we'd landed safely till the hostess tapped us on the shoulders and said that we could loosen our safety-belts now and collect our things before leaving. I'd better put the problem on the agenda for next week's board meeting.

ignores the whole question of effective land utilization. This point was also overlooked in *The Times* commentary which felt that to multiply the Whitstable golf course valuation by eighty would bring to an end all golf there. Why should this be a bad thing if it means more land for housing? In a country where land is so scarce there is considerable value in a system which charges the user an economic price for scarce resources.

The Rating and Valuation Association urge that further researches be made into site value rating not least because it is 'not unreasonable to expect owners of undeveloped land to make some contribution' to the cost of public services.

ACCOUNTANTS – FROM WITHOUT

THE first of the 1964–65 series of luncheon meetings of the London and District Society of Chartered Accountants was held at the Connaught Rooms on November 10th. The chairman of the Society, Mr A. P. Hughes, F.C.A., who presided, extended a welcome to the President of the Institute, Mr W. Guy Densem, F.C.A., and introduced the guest speaker, Mr Hadyn Taylor, Deputy Chairman of General Refractories Ltd.

In his address on the theme 'Look at a chartered accountant – from an industrialist's point of view', Mr Taylor gave a humorous account of some of his impressions of accountants gathered over the years. It seemed to him that by comparison with some other professions, accountants 'tend to be a gloomy crowd'. He thought there was an historical background to explain this, from the early days when accountants were 'hived off from the legal profession to tidy up the mess when a company went broke, so that they lived in a general atmosphere of gloom, depression and disaster'. 'In fact', he added, 'I would not be surprised if it was not accountants who were responsible for introducing in the first place all the gloom in the City – the black suits, rolled umbrellas and bowlers.'

Mr Taylor said there were two simple pleas he would like to make to accountants in their dealings with the average managing director. The first one was 'make it simple – do not be afraid of playing down to your audience'. 'Of course', he added, 'managing directors know something about something – that was how they got their job – unless they happened to have married the chairman's daughter. Not all of them, however, were gifted in matters of finance', and, said Mr Taylor, 'remember before you start to lecture on tax equalization accounts or pre-acquisition profits that the question the chap is dying to ask really is Is it the creditors to whom you owe the money?' His other plea was – 'Do *sometimes* believe what we tell you!'

Finance and Commerce

Sugar Loss

THE accounts of Park Cake Bakeries Ltd, which form this week's reprint, reflect mainly the company's costly excursion into the Terminal Sugar Market. The chairman's statement accompanying the accounts is the first to be made by Mr H. D. Leete, F.C.A. (H. D. Leete & Co, Chartered Accountants, of Manchester, are the company's auditors).

Mr K. L. Watson, F.C.A., the former chairman, resigned from the board last July soon after it was announced that there had been a serious deterioration in the company's profits and that a serious contingent liability had resulted on Terminal Sugar Market operations.

In his statement, Mr Leete, explaining the reasons for the setback, gives the sugar market losses as the first of three causes. 'The directors', he says, 'were of the opinion that the purchase of the company's sugar requirements in the Terminal Sugar Market would act as an insurance against what amounted to very considerable fluctuations in the price of raw materials, but in fact during the two years covered by these transactions a net loss of £87,331 was incurred. Mr Watson accepted responsibility for these transactions and tendered his resignation as a director of the company.'

Earlier, in February, following disagreement with Mr Watson, Mr T. A. Moran was relieved of his responsibilities as joint managing director. Termination of his service agreement and the subsequently agreed and paid damages cost the company £14,625, as the profit and loss account shows.

Costs

The Terminal Sugar Market loss is seen in the profit and loss account, the provision for future commitments at £214,320 in the latest accounts being £87,331 more than the net realized profit on forward commodity contracts in 1962–63. Mr Leete reports that transactions in the market have been stopped but the losses have come at a time when the company is committed to heavy new building costs.

The accounts show that bank loans have been raised for temporary financing purposes. The new building is due to be completed and in operation by the end of the current financial year with 'materially increased productivity' as a result.

The second of the three reasons for the profit setback was the cost of an extensive sales development

programme. While an increase of 6 per cent in sales was achieved in the year under review, the cost of the sales programme, during its initial period, was far greater than the profits realized.

Thirdly, increased costs of manufacture, including raw materials, wages and packaging, had to be absorbed by the company's existing gross profit margins because, as Mr Leete says, 'due to the extremely competitive nature of the trade there was no immediate prospect, except in a few isolated cases, of increasing our selling prices to customers'. In this direction the year was one of the most difficult ever experienced in the company's history. Recently the chairman of the Avana Bakeries group made the same comment.

Half-year Results

Increases are being obtained in selling prices and Mr Leete refers to the support given by Marks & Spencer (one of Park Cake's principal customers) in 'both development and price changes'. The selling and distribution divisions of the company have been 'completely streamlined' and expenditure incurred in developing sales is beginning to show satisfactory results.

Looking ahead, Mr Leete says 'it seems to me that with our immediate problems eliminated or under control, we can look forward to a return to our former prosperity'. July and August, he says, showed very unsatisfactory results and the effect of the price increases are not yet being felt to the full.

Capital commitments have to be liquidated and reserves, eaten into to the extent of £120,000 in the past year, have to be restored but Mr Leete is 'most hopeful that the company will soon be back on the dividend list'.

He intends to keep shareholders 'most fully informed of the company's immediate future' by publishing results for the half-year to December 31st, 1964.

Venesta

MENTION of half-year results and the recent reprint in this column of three examples of half-year reporting makes it of interest to draw particular attention to the half-year statement by Venesta Ltd set out below.

With the figures the board announced a maintained 4 per cent interim dividend and forecast a maintained 17½ per cent total payment. It was added that despite the marked improvement in turnover and profits for the first half-year of 1964 compared with the same period of 1963, full year pre-tax profit would not be ahead of 1963.

That is because group profits in 1963 included non-recurring profits of £105,000 taken into the second half-year and because of disappointing results in overseas plywood operations. Venesta's is undoubtedly a prime example of detailed and helpful half-year reporting.

VENESTA LIMITED

Results for Six Months ended June 30th, 1964

The unaudited sales and profits before tax and minority interests by divisions are given below for the six months to June 30th, 1964.

	Six Months to June 1964 £000	Six Months to June 1963 £000	Year to December 1963 £000
Sales			
Plywood division	5,167	4,014	8,405
Textile products division	2,833	2,453	4,866
Office equipment division	1,572	1,431	2,919
Packaging division	1,529	1,280	2,461
Metal products division	1,300	1,238	2,512
Divisional totals	12,401	10,416	21,163
Deduct: Inter-company sales	566	455	940
Group totals	11,835	9,961	20,223
Profits before tax and minority interests			
Divisional trading profits:			
Plywood division	266	247	620
Textile products division	217	160	331
Office equipment division	5	(34) Loss	(67) Loss
Packaging division	142	144	251
Metal products division	103	96	190
Divisional totals	733	613	1,325
Deduct: Central expenses and interest, *less* investment income	40	59	86
Group profits before tax and minority interests	693	554	1,239

PARK CAKE BAKERIES LIMITED
(Including Subsidiary Companies)

PROFIT AND LOSS ACCOUNT for the Year ended 30th JUNE, 1964

Comparative 30th June, 1963 £	£		£	£
258,006		**Trading Profit** after charging all expenses other than those stated below (Note 5)		145,156
		Deduct:		
	2,592	Bank Interest on Advance	3,312	
	85,437	Depreciation	95,044	
		Directors' Remuneration:		
	16,254	Management	16,875	
	1,887	Fees (including £700 from Subsidiaries)	3,250	
	520	Pension	520	
		Associate Directors' Remuneration:		
	—	Management (including £1,688 from Subsidiaries)	7,286	
	—	Fees (including £300 from Subsidiaries)	987	
	—	Damages for Breach of Service Contracts	14,625	
		(NOTE: The Directors' participation in the Pension Scheme has been as follows:— Directors .. .. £2,430 (1963: £2,794) Associate Directors £868)		
106,690				141,899
151,316				3,257
933		*Deduct:* Loss on Sale of Fixed Assets		32
150,383				3,225
170		*Add: Income from Investments*		—
150,553		**Net Trading Profit** for the year		3,225
	126,989	*Add: Net Realised Profit on Forward Commodity Contracts*	—	
	95,000	*Deduct:* Provision for Future Commitments	214,320	
	—	*Less:* Provision brought forward	95,000	
31,989				119,320
182,542		**Net Loss** subject to Taxation		(116,095) Dr.
		Add:		
		Provisions for Taxation based on the Profit for the year in Subsidiaries:		
	8,442	Current Income Tax	987	
	63,349	Future Income Tax	12,112	
	24,887	Profits Tax	3,946	
96,678				17,045
85,864				(113,140) Dr.
		Deduct:		
—		Provision for Income Tax no longer required		52,711
85,864		**Net Loss** after Taxation		(80,429) Dr.
		Deduct:		
33,362		Balance brought forward from previous year	46,691	
—		Transfer from General Reserve - Parent Company	120,000	
				166,691
119,226		**Total available for Distribution**		86,262
		Appropriations:—		
	5,000	*Transfer to General Reserve*	—	
	26,605	Interim Dividend declared and paid of 6½ per cent., *less* Tax at 7s. 9d.	26,664	
	40,930	*Final Dividend, less Tax*	—	
72,535				26,664
£46,691		**Balance carried forward** (Note 7)		£59,598

PARK CAKE BAKERIES LIMITED
and
Subsidiary Companies

Notes on Accounts

NOTE 1—

Movements during the year on the Share Premium Account were as follows:—

	£
Balance at 30th June, 1963	203,444
Premium on Issue of 30,000 Ordinary Shares to the Vendors of a newly acquired Subsidiary Company	4,313
Balance at 30th June, 1964	£207,757

NOTE 2—

Commitments for Capital Expenditure at 30th June, 1964 amounted to £352,700 (*1963—£38,000*).

NOTE 3—

The following Options are now outstanding:—

337,000 Ordinary Shares at 3s. 7½d.
35,000 Ordinary Shares at 3s. 9d.
191,750 Ordinary Shares at 4s.

The Options may be exercised on any date up to and including 30th June, 1967.

NOTE 4—

The Capital Reserve has been increased during the year by an amount of £11,332. This arose through the assignment of Loans in a Subsidiary Company to the Parent Company.

NOTE 5—

Trading figures for three newly acquired Subsidiary Companies have only been included since the dates of acquisition; that is, for three, five and nine months.

NOTE 6—

Included in the Fixed Assets is an amount of £141,605 being the cost of a new factory in course of erection, on which no Depreciation has been charged.

NOTE 7—

The balance carried forward in the Profit and Loss Account, being the unappropriated Group Profit is as follows:—

	1964 £	*1963* £
Park Cake Bakeries Limited	11,239	*7,215*
Subsidiary Companies	48,359	*39,476*
	£59,598	*£46,691*

PARK CAKE BAKERIES LIMITED and its Subsidiary Companies

CONSOLIDATED BALANCE SHEET as at June 30th, 1964

Comparative 30th June, 1963. £	£	£		*Independent valuation or cost to 30th June, 1963.* £	*Additions, less sales year to 30th June, 1964.* £	*Aggregate Depreciation to date.* £	£
			FIXED ASSETS				
391,940			Land and Buildings	438,206	186,431	54,189	570,448
402,346			Plant and Machinery	670,171	98,882	315,800	453,253
21,617			Office Equipment	34,573	9,577	15,980	28,170
92,074			Motor Vehicles	197,755	26,262	113,933	110,084
				£1,340,705	£321,152	£499,902	
907,997			**TOTAL FIXED ASSETS** ..				1,161,955
36,195			**Goodwill**				87,231
3,050			**Trade Investments** at Cost after deducting Sales at Cost (Market Value £1,600) ..				1,468
			Current Assets—				
	136,447		Stock on Hand			212,270	
	250,531		Trade Debtors, Prepayments and Deposits			263,633	
	31,989		*Net Surplus on Commodity Price Equalisation Account*			—	
	46,369		*Cash at Bank*			—	
	465,336					475,903	
			LESS:				
			Current Liabilities—				
		183,501	Trade Creditors and Accrued Expenses		227,363		
			Provision for Current Taxation—				
		39,476	Income Tax		12,390		
		25,366	Profits Tax		3,946		
		—	Bank Advance		280,415		
		40,930	*Proposed Final Dividend* ..		—		
		—	Provision for Commitments on Forward Commodity Contracts		220,246		
	289,273					744,360	
176,063							268,457 Cr.
—			**Preliminary Expenses** in Subsidiaries not yet written off				1,373
£1,123,285			**AGGREGATE NET ASSETS**				£983,570

Comparative 30th June, 1963. £	£		£	£
		AGGREGATE NET ASSETS REPRESENT—		
		SHARE CAPITAL—		
		Authorized—		
	£750,000	15,000,000 Ordinary Shares of 1s. each	£750,000	
		Issued—		
668,250		13,395,000 Ordinary Shares of 1s. each, fully paid ..		669,750
		CAPITAL RESERVES—		
	203,444	Share Premium Account (Note 1)	207,757	
	6,583	Capital Reserve (Note 4)	17,915	
210,027				225,672
63,317		**AMOUNT SET ASIDE FOR FUTURE INCOME TAX**		13,550
		REVENUE RESERVES		
	135,000	General Reserve	15,000	
	46,691	Profit and Loss Account	59,598	
181,691				74,598
£1,123,285				£983,570

H. D. LEETE
R. MILLATT } *Directors.*

CITY NOTES

THE uncertainties bequeathed to the stock-market by the November Budget have clearly stunted investment incentive. The unknown extent and weight of the corporation tax to be introduced next spring has made investment assessment extremely difficult, if not impossible.

The only rule of thumb assessment that can be made is that equity earnings cover is of first importance. But it is being emphasized that the introduction of corporation tax will mean a fundamental change in the basis of equity investment and, until the true basis of that change can be judged and calculated, new share buying can only be made in the dark.

That point, coupled with the introduction next year of an indefinite-term capital gains tax has prompted selling. There is a move towards 'liquidity' and towards the consolidation of capital gains.

Unless there is some clear indication of Government thinking on corporation tax before next spring then stock-market turnover is bound to suffer. Nothing breeds stock-market stagnation quicker than doubt.

Defensive investment in the gilt-edged market and outside the stock-market altogether is likely to be the investment pattern in the foreseeable future. A gradual whittling away of equity prices is anticipated rather than a headlong fall, but it is difficult to see a combination of factors likely to bring in buyers on any market setback.

* * * *

UNCERTAINTY in the stock-market could possibly ease the position of the building societies. The present situation is that heavy demand for mortgages is being met to an extent by the running down of liquidity, but there is obviously a limit to this. The inflow of funds has slowed down, mortgage demand has risen, and society profit margins are under severe pressure.

In their recent statement on interest rates, the Council of The Building Societies Association drew attention to the pressure on the present interest rate structure. The impression is that a continued demand for mortgages at the present level would ordinarily have forced rates up by now.

* * * *

AGAINST the current uncertain stock-market background the Save & Proper Unit Trust group has made a nicely timed offer of Cross-Channel Units. The trust concentrates on continental equities. Investment directly in such equities is deterred, firstly, by the complications attached to it and, secondly, by the fact that prices are 'weighty'. Through investing in Cross-Channel Units the investor of limited means can take an interest in continental equities without any of the dealing and other headaches that go with it. Minimum investment is 200 units, with units offered initially at 7*s* 6*d* each.

* * * *

PROPERTY company comments on the Government's ban on new office building in the London area have followed a predictable trend. Most property development companies have emphasized their wide geographical spread and have insisted that the Government move will barely affect them. There has, however, been criticism of the 'blanket' nature of the Government's move. There is a difference between the provision of new office accommodation and the provision of replacement accommodation. But replacement, too, comes under the ban.

RATES AND PRICES

Closing prices, Wednesday, November 18th, 1964

Tax Reserve Certificates: interest rate 19.3.64 2¾%

Bank Rate

July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%

Treasury Bills

Sept. 11	£4 13*s* 0·57*d*%	Oct. 16	£4 14*s* 0·69*d*%
Sept. 18	£4 13*s* 0·70*d*%	Oct. 23	£4 14*s* 5·44*d*%
Sept. 25	£4 13*s* 0·80*d*%	Oct. 30	£4 13*s* 11·61*d*%
Oct. 2	£4 13*s* 0·44*d*%	Nov. 6	£4 13*s* 5·09%
Oct. 9	£4 13*s* 0·96*d*%	Nov. 13	£4 13*s* 3·71*d*%

Money Rates

Day to day	3⅜–4⅝%	*Bank Bills*	
7 days	3¼–4½%	2 months	4 13/16–4⅞%
Fine Trade Bills		3 months	4 13/16–4⅞%
3 months	5¾–6¼%	4 months	4 13/16–4⅞%
4 months	5¾–6¼%	6 months	4⅞–4 15/16%
6 months	6–7%		

Foreign Exchanges

New York	2·78 11/32	Frankfurt	11·06⅝
Montreal	2·98 13/16	Milan	1739
Amsterdam	9·99 15/16	Oslo	19·94⅞
Brussels	139·12	Paris	13·63 15/16
Copenhagen	19·29½	Zürich	12·01

Gilt-edged

Consols 4%	65 9/16	Funding 3% 59–69	90⅜
Consols 2½%	41 13/16	Savings 3% 60–70	87⅛
Conversion 6% 1972	103¼	Savings 3% 65–75	77 9/16
Conversion 5¼% 1974	95½	Savings 2½% 64–67	92 15/16
Conversion 5% 1971	97⅞	Treas'ry 5½% 2008–12	91 1/16
Conversion 3½% 1969	91 7/16	Treasury 5% 86–89	86 9/16
Conversion 3½%	57¼	Treasury 3½% 77–80	75⅛
Funding 5½% 82–84	95¾	Treasury 3½% 79–81	75⅜
Funding 4% 60–90	92½	Treasury 2½%	41¼
Funding 3½% 99–04	64 13/16	Victory 4%	97 9/16
Funding 3% 66–68	90⅞	War Loan 3½%	56¾

Correspondence

The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Rates or Grants?

SIR, – In a leading article entitled 'Rates or grants?' in your issue of November 7th, you quoted Mr R. Statham, President of The Association of Certified and Corporate Accountants, as having spoken in favour of reform of the local rating system by introducing a *per capita* tax in place of the present method of assessment based on property values and you then commented that such a tax would be administratively cumbersome.

Admittedly there are many problems of administration and cost attaching to a system that is primarily based on 'head counting' but possibly the electoral register could become the focal point of the exercise – at least for private dwellings. Industrial and commercial firms would probably have to be assessed on payrolls and this would open the way to combining the local rate with a payroll tax as a means of persuading firms to make more economic use of labour and achieving a degree of control over population drift to the south-east.

The initial cost of the change-over might be heavy, but there would be some counter-balancing economies resulting from the cessation of the existing valuation procedure.

I put this forward from the viewpoint of a ratepayer rather than a rating expert, but it does seem to me that it would be a pity to reject Mr Statham's suggestion solely on the grounds of administrative complexity if it could lead to a fairer distribution of the rate burden and a more balanced distribution of the working population.

Yours faithfully,
DESMOND GOCH, A.A.C.C.A.

Harpenden, Herts.

Computer Input Systems

SIR, – I would like to take up a number of points made by Mr H. Washbrook when he commented on my previous letter on data collection in your November 7th issue. I feel that Mr Washbrook has not appreciated the values of data collection equipment.

I do not agree that all forms of computer input can be regarded as data collection systems; a concise definition of a data collection system refers to machinery that is capable of reading, collating and creating its own language automatically; therefore any equipment that prepares computer input from source documents (e.g. card punches, verifiers, accounting machine links to punches, etc., do not read that source document automatically) is not a data collection system. Accordingly, the Telex-type system as described by Mr Washbrook under section (*e*) of his article (October 17th issue) is not a data collection system, as he mentions no use of card or paper-tape reading by the input unit.

Verification of input is eliminated by a data collection system and a major advantage, as proved in the United States of America, has been the drastic reduction of punching and verification staff in the data preparation rooms. The whole point of using pre-punched cards is to eliminate not only verification in a data preparation room, but to ensure that there is no possibility of that data being copied in error. As for the variable type of data, the majority of data collection systems provide a maximum of ten variable digits upon which, e.g. quantity issued etc., can be recorded when different from the authorized quantity. Any error committed at this stage will not be detected by any system of input, manual or automatic: e.g., if a man writes, say, 100 in place of the correct figure on a material requisition, all the punching and verification in the world on that requisition will not detect the error. An incorrect figure of 100 is written on the source document, punched as 100 and verified as 100; the position being similar with check-sum type machinery. Only when the book-keeping of the system is checked, will the error be detected, whether this is manual or by a computer.

To state that errors occur frequently on data collection systems is untrue; in fact, the installations in the U.S.A. which have been working successfully for some years now, prove this statement to be a fallacy. The Ryan Aeronautical Co (San Diego, California) is reported (by a United States data-processing magazine) to have weeded out approximately five thousand punched cards per month when it prepared its input from source documents using conventional methods. The installation of a data collection system eliminated this. Another example is the De Havilland Co in Canada whose experience of error is less than one in 2,000 messages with a data collection system.

The majority of data collection systems installed are not on line to the computer but collate data into machine language at a central console, usually situated in the computer room. These systems can be made to give a print-out of all messages for audit; however, the fact remains that to audit an electronic data processing system one must consider the total system including input, but there can be no single emphasis. After all, payment of wages in the majority of industrial companies in Britain is on a piece-work basis or variant; when vouching time-sheets etc. how many auditors consider the possibility of the time-sheet bearing little relationship to the works

orders actually undertaken? Indeed, how many bother to check the validity of that time-sheet by reference to works orders? The data collection system can eliminate this type of problem, which is why I feel it merits the title of being the most advanced system at present available.

Yours faithfully,
JOHN WATT, A.C.A.

Macclesfield, Cheshire.

[Mr Washbrook writes: I still feel that Mr Watt takes a much narrower view of the total means of data input than I would advocate. It is probable that little will be gained by developing this interchange indefinitely and I shall therefore raise no fresh issues but confine myself to commenting briefly on some of the points raised by Mr Watt:

(*a*) My comments in the November 7th issue make clear that I am referring to the *possibility* of regarding all forms of computer equipment as data collection equipment in the general sense, as distinct from the technical connotation given to the words 'data collection equipment' in computer circles.

(*b*) Nevertheless, Mr Watt's definition would strictly exclude some of the equipment advertised and sold as data collection equipment by some computer companies including American companies.

(*c*) Verification will certainly not eliminate errors on original documents as Mr Watt points out, but it will reduce copying and operator reading errors, which form a large part of conventional punched-card and paper tape information. It is too strong a statement to say that any variable type of data error will not be detected by any type of input system. In my original article I gave an example of how such information can be checked in suitable circumstances apart from the obvious one of programme feasibility checks.

(*d*) I did not state that errors occur frequently on data collection systems, but *relatively* frequently, which is quite different. It is meaningless to state experiences of error as one in 2,000 messages, as the appreciation of the extent of error is impossible without knowing the length of the messages. In surveys of the error rates in various companies in Britain I have always quoted and had quoted to me errors as one in so many digits. If the average message length were one hundred digits, the error rate would have been completely unacceptable in the two companies with which I have had computer experience.

(*e*) Mr Watt quotes the De Havilland Co in Canada. I was a member of this company and had the benefit of their experience before I wrote my article. This is a coincidence.

(*e*) During a fairly recent tour of data processing installations in the U.S.A. I saw little extensive use of data collection equipment, but do not doubt that some companies use it, especially for production control and credit control activities. I found the American attitude to errors more tolerant than is common in Britain, although I am not necessarily implying that this is wrong.

(*f*) I would like to point out to Mr Watt that data collection equipment in the narrow sense is not the only means of dealing with the problem he outlines in the last paragraph of his letter. Nearly all forms of computer equipment and punched-card equipment can be used in an effective system. Moreover, most cost accountants and financial accountants could tell him of a manual system which would also deal effectively with it as part of a system of standard costing.

(*g*) Data collection equipment used over public lines is subject to errors due to 'line noise' unless expensive equipment to deal with this is used at both ends of the line.]

Matrix Book-keeping

SIR, – The 'matrix' technique of preparing working schedules (described in Mr Corcoran's article in your issue of October 31st), is obviously capable of saving valuable time. It appears, however, that a certain amount of time is likely to be lost in searching for the right 'box' for each figure, unless certain steps are taken which were not mentioned in the article.

First, a diagonal line should be drawn from the top left corner of the matrix sheet, to cancel all boxes in which no entries can be made (i.e. all but the last three boxes on the diagonal). Secondly, an alphabetical system of coding accounts would be preferable to the sequential numbers used in the example given.

A two-letter code would be sufficient, with occasional use of a third letter. The first letter would indicate the type of account, according to some such mnemonic code as the following:

Goodwill and other intangibles	G
Fixed tangible assets	F
Subsidiary company holdings	H
Other permanent investments	I
Stocks and work-in-progress	S
Other current (quick) assets	Q
Current liabilities	L
Long-term liabilities (borrowing)	B
Revenue reserves (or partners' current accounts)	R
Capital reserves (or partners' loan accounts)	C
'Das Kapital'	K
Trading income (included in profit)	P
Direct cost of sales	D
Overhead expenses	O
Non-trading income	N
Exceptional expense	E
Taxation charges	T
Appropriations	A

The second letter would indicate the precise account affected, by means of a further set of mnemonic codes to be standardized in accordance with the requirements of each firm. Where an item was 'negative', an X could be added, e.g.:

Vehicles at cost	FV
Vehicles depreciation provision	FVX
Sales, department C	PC

Sales returns, department C	PCX
Cost of sales, department C	DC
Occupation expenses (rent, rates, etc.)	OO
Due from subsidiary company on current account	HCX
Partner D's drawings	RDX
Preference shares	KP
Preference dividends	AP
Proposed dividends	LD

The codes can be pre-printed on duplicated matrix sheets. For professional firms requiring different selections of accounts for various clients, the necessary details (including a key to any abnormal second-letter codes) can be entered on blank matrices and copied by dyeline or xerographic methods.

Yours faithfully,

Bristol. K. H. MATTHEWS, M.A., A.C.A.

Reviews

Josiah Stamp, Public Servant

by J. HARRY JONES, M.A., LL.D. (Sir Isaac Pitman & Sons Ltd, London. 50*s* net.)

More than two decades have passed since Lord Stamp died in an air raid. In the meantime, Professor Jones, whose contributions to this journal over a period of many years may be recalled by some of our more senior readers, has worked on the mass of papers which Lord Stamp from his early life to the very end had hoarded. The result of Professor Jones's labours is a highly readable and at times fascinating account of a man who played a dominant role in the affairs of State.

There is a happy blend in the author's treatment of personal anecdote and economic fact. Lord Stamp's major contribution was in the field of applied economics; and it is to these aspects that the author has devoted most space. The account of the work on the Dawes Committee, with copious illustrations from Stamp's own letters, is fascinating.

No one who is interested in the formulation of national fiscal and economic policy can fail to be interested by this book, in which Professor Jones has succeeded in bringing to life not only his subject's works, but the man himself. The publishers, too, have played their part in producing a most handsome volume.

Lost Upon the Roundabouts

by A. L. BARKER. (The Hogarth Press, London. 21*s* net.)

Miss Barker polishes ordinary people and makes them come radiantly alive. Her materials are an uncanny sense of situation, the ability to dramatize humdrum events and the rare capacity to write dialogue which is at the same time interesting and convincing. The principal character in the longest story in this collection is a newly-retired accountant trying to accustom himself to not being 'at the office'. His efforts to settle down land him in mild trouble from which he is extricated by his own innate innocence – and Miss Barker's good humoured view of life.

Modern Banking

Sixth edition by Professor R. S. SAYERS. (Oxford University Press, London. 30*s* net.)

This sixth edition of *Modern Banking* incorporates the lessons and ideas of the Radcliffe Commission's report on the working of the monetary system. In the opinion of the author, the ideas that were crystallizing in the middle and later 1950s have this time been properly absorbed into the whole book.

While the broad structure of the book is not much changed, there are two new chapters, on financial intermediaries and the repercussions of their activities, while the institutional aspects of the credit structure are developed at greater length than in the past.

The Management of the British Economy 1945–60

by J. C. R. DOW. (Cambridge University Press, London. 60*s* net.)

This major study of the post-war British economy has been some eight years in the writing. It covers all aspects of the economic situation, and deals with the entire post-war period between 1945 and 1960. It is arguable that the period before 1951 under the Labour Government was sufficiently distinct from that which followed to have merited an entirely separate treatment.

Certainly Mr Dow makes a major contribution to the discussion of the extent to which monetary and fiscal policy can regulate the economy, and the author sets out his conclusions at length. For anyone concerned with the economic troubles of post-war Britain, Mr Dow's analysis will prove stimulating, even if it does not find any firm solutions.

RECENT PUBLICATIONS

THE FUTURE OF PRIVATE PENSIONS, by Merton C. Bernstein. xiii+385 pp. 10½×7. 95*s* net. Collier-Macmillan Canada Ltd, Toronto, Ontario. London: Macmillan & Co Ltd.

RESALE PRICE MAINTENANCE, by Ian Macdonald, M.A., LL.B. xxi+247 pp. 9×6. 38*s* 6*d* (39*s* 9*d* including postage) Butterworth & Co (Publishers) Ltd, London.

These books may be obtained from, or through, Gee & Co (Publishers) Ltd, The City Library, 151 Strand, London WC2.

New Offic

Automatic Typing

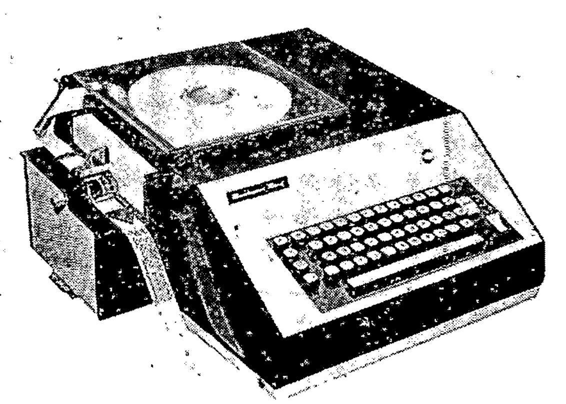
INTO the field of automatic typing equipment come Remington Rand with the recent agreement between them and Associated Automation to market in Britain the *Invac* range of equipment for the preparation, reproduction, verification and print-out of punched paper tape.

Apart from its use in electronic data processing systems, Remington *Invac* equipment can be used for automatically typed direct-mail letters, for dealing with customer inquiries by the means of prepared texts in tape and for the up-dating, for example, of electoral registers.

The principal equipment consists of a tape reader and tape punch, an encoding and decoding unit. These can be assembled in various ways and topped by the keyboard unit, a Remington *Model 300* electric typewriter. Equipment can be supplied for 5-, 6-, 7- or 8-track tape.

Transistors are used throughout and therefore the working units are small and can easily be accommodated in the special desk designed by Remington. This consists of a typewriter table, work-top and a pedestal that can be fitted on either side of the table.

Remington Rand Ltd, 65 Holborn Viaduct, London EC1.



Paper tape punch, part of the Invac range of equipment

For Forms and Envelopes

THE Abel cold laminator is a small hand-operated machine for covering paper or card with a transparent PVC material. The maximum width of lamination that can be done is 17¼ in. and the cost of laminating a quarto-sized sheet is 3½*d* per side. The machine measures 22½ in. by 14 in. by 7½ in.

Price: £56.

For opening envelopes of any shape or size up to ½ in. thick, there is the new *Post-Haste* – an electrically driven machine from Apex Business Equipment. The *Post-Haste* weighs 7¼ lb and measures 10½ in. by 8¼ in. by 3¾ in.

Price: £29.

Apex Business Equipment Ltd, Hubex House, Fourth Way, Wembley, Middlesex.

For Reading and Copying

THE new *Recordak Magnaprint* reader accepts 16 mm and 35 mm microfilm in roll form, but can easily be reset to read film magazines, aperture cards, microfiche and film jackets. Motorized film drive in rolls or magazines gives image retrieval in seconds, while film transport speed is variable between 10–30 seconds a 100 ft of microfilm.

The reader can also produce paper prints, the print cycle being fully automatic. Prints are exposed, processed, cut and delivered dry, in less than thirty seconds, but image search may be resumed ten seconds after the 'print' button is pressed. The print area is 8 in. by 10 in. on 8½ in. by 11¼ in. paper. (Easily interchangeable narrow width paper kits are also available, 4 in. and 5½ in.) Other features include five accessory interchangeable lenses, adjustable condenser and lamp assembly.

Price: From £425.

Kodak Ltd, 246 High Holborn, London WC1.

SMITH-CORONA have introduced a new desk-top electrostatic copier – the *SCM 44*. The model *44* provides facilities for the selection of from one to ten copies at the setting of a dial, for a cost per quarto copy of less than 3*d*. It will reproduce documents of any colour or size up to 11×17 in. and deliver quarto copies at the rate of ten a minute. The model *44* is available at £475, or it can be leased.

Smith-Corona Ltd, 248 Tottenham Court Road, London W1.

Addressing

ADDRESSING from coded punched cards or plain cards is a feature of the *Scriptomatic* machines. The address is printed on the face of the card – on the reverse side is a hectographic carbon copy of the address. This is used to create the impressions on the envelopes or sheets fed through the machines. Normal punched-card sorting and selecting techniques can be used if desired and only the cards bearing the addresses required need be run. Machines available range from a simple hand-held addresser to the *Model 100* which operates at a rate of 7,000 addressed items an hour; the newest model is one designed specifically for heading-up ledger cards and similar forms.

Omasco Ltd, 180 London Road, Mitcham, Surrey.

Decollating Forms

WITH a speed of up to three hundred feet a minute, the *Mark 2* is a fast machine for decollating multi-part forms used on data-processing machines. It has been designed to enable operators to load and unload packs of stationery quickly and simply. Waste carbon is rewound. The forms neatly refold into packs for subsequent filing or separation. A feature is its facility to add 'units' to meet varying requirements. The basic 'unit' is designed to separate two parts and one carbon. It is available on rental or outright sale.

James Wilkes Ltd, Bilston, Staffs.

quipment

Office Printing

A BRIEF-SIZE office offset-litho machine is the A. B. Dick *Model 330* which will feed up to $14\frac{1}{2}\times19\frac{1}{4}$ in. sheets so that accounting forms and data and technical drawings can be printed by it. Apart from large single plates, two plates (printing on double-foolscap) can be mounted side by side and the sheets slit as they leave the cylinder so that two foolscap piles build up in the delivery tray. Thus, the machine can print foolscap work at a rate of 13,000 an hour which is fast by most standards. A lever disengages the slitting unit when it is not required.

A. B. Dick Co of Gt Britain Ltd, Cavendish House, Uxbridge Road, London W5.

THE Rotoprint *R75 QC* quick-change model is designed for short-run offset-litho duplicating from paper masters, either directly typed or made on an office copier. The *R75 QC* can be fitted with a *Copycounter* to stop the feed at the end of a present figure; it can also be used for office printing up to foolscap size.

Rotaprint Ltd, Honeypot Lane, Colindale, London NW9.

'Mechanized' Filing

THE *Lektriever*, just under 10 ft high, will house up to one hundred and sixty thousand pieces of paper – equivalent to the contents of twelve four-drawer conventional cabinets. The folders are placed along sixteen carriers, individually suspended and spaced on a conveyor system. The mechanism rotates in two directions, buttons for each carrier being situated on a selector panel.

Remington Rand Ltd, 65 Holborn Viaduct, London EC1.

THE *Railex Rotomatic* filing machine brings mechanization to filing. At the touch of a button a row of files is brought in front of the operator automatically. Seated at the machine one operator has control of a whole filing department. Another new development is *Easifile*. This is a file with nylon plastic prongs and a locking device. Without doubt it is the easiest-to-use file for perforated papers yet invented. The papers are firmly secured but any can be detached instantly without disturbing the others.

Frank Wilson (Filing) Ltd, Cross Street, Southport, Lancs.

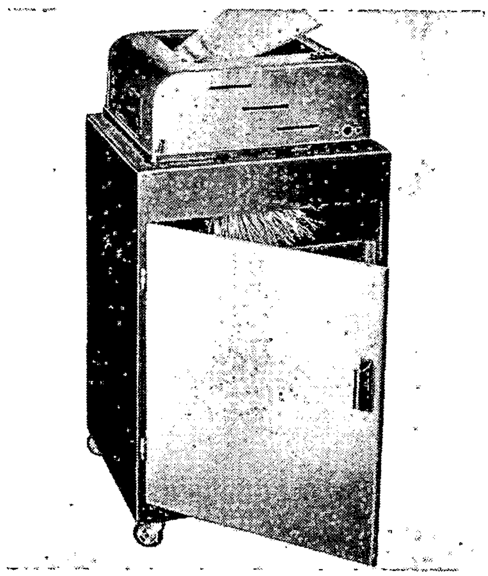
Mobile Pack-away Typist's Table

THE *Handitype* mobile typist's table is specially constructed to meet the needs of most offices where space is required for a typewriter or adding machine. Supplied in dismantled state, it is fitted together with six nuts and bolts (supplied) and is of metal tubular frame with a formica top and extension flap. The height is $27\frac{1}{2}$ in., size of top with flaps extended is 33×15 in.; it is fitted with easy running castors and costs £7 5*s*.

Standard Office Supplies Co Ltd, 57 Farringdon Road, London EC1.

Document Shredders

A SERIES of new features are incorporated in the latest version of the *Scimitar* document shredder. Designed to convert all confidential and surplus paperwork into fine unreadable shreds quickly, simply and cleanly, the *Scimitar* is almost noiseless in operation. It is the first document shredder to incorporate an automatic reverse feature, making it impossible to overload. Thus, jamming, which until now has been the main cause of shredding machine faults, is completely eliminated.



The new Scimitar Document Shredder

The *Scimitar* is mounted on a trolley cabinet and can be moved easily without occupying essential desk space. Documents are shredded into an internal bin, and there are no unsightly bags or paper shreds on the floor. For bulk shredding, a flick of a lever allows paper to be shredded out of the rear of the machine, direct into a bin or baler.

Business Aids Ltd, 59/63 Islington Park Street, London N1.

THE *Typhoon Mini* is a new portable document shredder. The machine, which can be plugged in at any power point, weighs 20 lb. and is only 5 in. high by 10 in. wide by $9\frac{1}{2}$ in. deep. It will shred sheets of paper to 2 mm. strips that can then be used as packing material. The machine sits atop its own waste paper basket. Price: £62 10*s*.

Halsby & Co Ltd, 52 Dean Street, London W1.

Microfilm Camera for Extra-large Originals

THE *Recordak Micro-File Model MRG* is a new 35 mm planetary-type microfilm camera for the filming of engineering drawings and other large documents up to 45 in. by 63 in. in area. Operation of the camera is controlled from a panel that includes dial selectors, signal lights and indicators.

Six reduction ratios are provided, each selected by push-button, focus is automatically adjusted as the camera unit is moved up and down its support column.

Price: approximately £2,300.

Kodak Ltd, 246 High Holborn, London WC1.

Northern Chartered Accountants' Annual Dinner

More than three hundred and fifty members and guests attended the annual dinner of the Northern Society of Chartered Accountants held in the banqueting hall of the Assembly Rooms, Newcastle, on Friday of last week. Mr D. B. Ward, M.B.E., F.C.A., President of the Society, was in the chair.

The toast of 'The Institute of Chartered Accountants in England and Wales' was proposed by Mr E. T. Judge, M.A., chairman of Dorman Long & Co Ltd.

Mr Judge said that much thought had been given lately to improving the image of the North-east and Tees-side in particular. Tees-side had recently been the only district in the country able to boast of the announcement within a few weeks of the impending construction of two major oil refineries. An entirely new port had been built and equipped to deal with large sea-going vessels with the utmost efficiency for both the import and export trade, and in a short space of time bulk carriers and tankers of up to 65,000 tons would be able to bring the raw materials for rapidly expanding riverside industries. Contracts had also been placed with Tees-side for two drilling rigs to assist in the exploration for undersea oil and gas.

Turning to financial matters, Mr Judge said that the Government had for many years employed members of the accountancy profession from whom they received great and valuable service. They had accountants and economists, and more and more economists were called on for advice.

Accountants' Proud Service

Accountants, he said, had much experience in advising the Government as well as business and could be proud of the service they had rendered in helping to improve the overall economy of the country.

The real, genuine accountant had the ability or the 'nose' to get the facts of a situation, without having even been asked to do so, and the Institute had set a high standard.

Mr Judge said he believed that success in these matters would never have been achieved unless the top men in the profession had concerned themselves about the recruitment and training of those who were to follow on.

Replying, Mr W. Guy Densem, F.C.A., President of the Institute, said that it was thirty-five years since he had first come to Newcastle and eleven years since he first attended a dinner of the Northern Society – a very handsome and distinguished gathering.

After recalling the diverse industries he had seen on his way into Newcastle, he said that diversification was proceeding very widely in industry and the accountancy profession must try to keep up with what was going on.

Corporation Tax

A large number of practitioners were so busy that they could not cope with anything fresh, said Mr Densem, but they now had to get ready for the forthcoming corporation tax.

They had to make themselves useful to industry as a whole, and surely it was common sense that the practitioner, when he presented figures, made certain that they were understandable and was prepared also to take a little time to explain them.

It was no use producing figures that were just figures – they had to make them speak and enable management to make the best use of them.

Mr Densem suggested that some accountants did not take enough trouble, and really should spend a little more time to see that their clients and employers were fully informed.

This was important because in these days, whether they liked it or not, the trend was towards mechanization, and the assembling of a dull lot of figures was not really an accountant's job.

The accountant should not be interested merely in producing figures, said Mr Densem, but in seeing that they were able to 'speak'.

The computer, he added, was a very good servant but it was necessary to be very careful to put the right information in if they were to get the right information out. The accountant, he added, must see that the right information was going in and that it was properly dealt with, so that sensible answers were produced.

Mr Densem said he was not suggesting that all Institute members should be experts, but they should at least have a pretty shrewd idea what it was all about, and it was to this end that the Institute was holding its E.D.P. courses. Members who wanted to know what was happening should really consider whether or not they could attend these courses.

Mr H. D. Anderson, J.P., F.C.A., proposed the toast of 'The Guests', the response being made by Mr W. A. Daglish, M.B.E.

CHARTERED ACCOUNTANTS' DINNER IN LEICESTER

Speaking at the annual dinner of the Leicestershire and Northamptonshire Society of Chartered Accountants held at the Grand Hotel, Leicester, on November 10th, Mr W. Guy Densem, F.C.A., President of The Institute of Chartered Accountants in England and Wales, referred to the problems of education which faced the profession and of the steps the Institute was taking to deal with them.

Mr Densem said that for a very long time the Institute had realized the need to help the training on the technical side for articled clerks; he added that there were now some fifteen thousand clerks with an existing four-year length of articles. They were spread all over the country so that the problem was by no means a small one.

Unfortunately, said Mr Densem, not all local authorities took the same view of the importance of accountancy and not all were willing to assist in running training schemes at their colleges of technology.

In Leicester, however, the position was quite different and the profession enjoyed every co-operation. The local technical college was very co-operative and provided a first-rate service.

Shortage of Accountancy Teachers

Mr Densem said the Institute was trying its utmost to enlist the help of local education committees to get courses started. One of the big problems was an enormous shortage of teachers, and when it came to the subject of accountancy the position was particularly serious. Very few had the ability to teach and the Institute was endeavouring to tackle the problem as a long-term one. It was seeking to get colleges and universities more interested so that in the long run they could produce more teachers.

The aim, too, was to encourage members who had qualified to take an interest in management accounting, at least on the technical side. The Institute had introduced its own certificate, which could prove of great assistance, but what they had to find in their own members, and which was far from easy, was the inclination, the time and the ability to teach.

Mr Densem went on to say that he had been rather appalled by some of the figures revealed by the Practitioner Inquiry. He said that the Institute proposed to produce a series of booklets which he sincerely hoped practitioners would make time to read. These booklets would deal with the various aspects of running practices and the object would be to improve organization. The Public Relations Committee was organizing the distribution of the booklets and they were likely to be issued early in the New Year.

The toast of 'The Institute', to which Mr Densem was responding, was proposed by the Lord Mayor of Leicester, Alderman Archibald Kimberlin, O.B.E.

Alderman Kimberlin said that it was essential that the qualifications of an accountant should be the highest possible and the Institute had provided this standard. The duties of an accountant required special mental and intellectual faculties, with specialized knowledge and extensive experience. But even these were not enough – he must be capable of professional integrity of a very high order.

The toast of 'The Guests' was proposed by Mr W. E. Willis, D.F.C., B.A., F.C.A., President of the Leicestershire and Northamptonshire Society, who presided at the dinner, and the reply was made by Mr H. A. Skinner, M.A., J.P., Deputy Chairman of Lincolnshire (Lindsey) Quarter Sessions.

Ipswich and Colchester Branch Dinner

The sixth annual dinner of the Ipswich and Colchester Branch of the East Anglian Society of Chartered Accountants was held at the Red Lion Hotel, Colchester, on November 2nd. Mr F. S. Grindrod, F.S.A.A., F.I.M.T.A., Chairman of the Branch, presided, and the guests included Mr A. J. Barnard, M.A., F.S.A.A., F.I.M.T.A., President of the East Anglian Society of Chartered Accountants; Mr H. D. B. Wood, O.B.E., COMP.I.E.E., Chairman of the Eastern Electricity Board; and Col D. P. Papillon, C.B.E., T.D., a Deputy Lord-Lieutenant of the County of Essex.

The toast of 'The Ipswich and Colchester Branch of the East Anglian Society of Chartered Accountants' was proposed by Mr Wood who began by expressing his appreciation of the work done by chartered accountants and of the way in which the Institute had been responsible for many developments in the accounting field resulting in benefits both to commerce and industry. There was an increasing need, he said, for the development of management accounting techniques in which members of the Institute had an important part to play and it was significant that the Institute had recently introduced a certificate in management accounting.

Mr Wood confessed that he found confusing the existence of two classes of members, those designated 'chartered accountants' and those designated 'incorporated accountants', and suggested that the public image of the Institute would be improved if this difference could be removed.

Replying, Mr Barnard commented on the increase in membership of the Society following the introduction in January last of the Council's arrangement whereby members of the Institute may join a district society without payment of a separate subscription. Steps had been taken by the Society, Mr Barnard continued, to provide tuition at technical colleges for articled clerks to supplement correspondence courses. This was a very valuable facility for students and it was disappointing that only a few students had so far enrolled, and he urged members to encourage their articled clerks to participate. The Practitioner Inquiry, he said, was an important step which could help members in practice, but he felt there was a need for the Council to take the lead by establishing scales of fees.

Mr M. Fielden, B.A., A.C.A., proposed the toast of 'The Guests' which was responded to by Col Papillon.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Alterations to Supplemental Charter and Bye-laws

The alterations and additions to the Supplemental Charter and bye-laws of The Institute of Chartered Accountants in England and Wales which were passed at the special meeting of the Institute held on May 6th, 1964 (and duly confirmed where necessary at the special meeting held on July 1st, 1964) were allowed by Her Majesty in Council and by the Lords of the Privy Council on October 15th.

These alterations and additions include provisions to implement the Council's intentions relating to schemes for a Certificate in Management Information and for a Joint Diploma in Management Accounting Services and for the introduction of a system of proxy voting in place of the postal ballot procedure. They will be included in the next supplement to the *Members' Handbook* to be issued on December 9th.

PROFESSIONAL NOTICES

MESSRS ANNAN, IMPEY, MORRISH & PARTNERS, Liverpool, announce that they had admitted into partnership Mr REGINALD T. SMITH, F.C.A., of Messrs HAROLD SMITH & SON of Rhyl and Prestatyn. The practice of the latter firm continues unchanged.

MESSRS CLUNIE & SCOTT, Chartered Accountants, of 7 Melville Crescent, Edinburgh 3, announce with deep regret the death, on November 7th, of their senior partner, Mr ROLLAND WALTER ROSS FLEMING, C.A., who was admitted to membership of the Scottish Institute in 1926.

MESSRS DAVIS, BURTON & CO, Certified Accountants, announce that after approximately forty years in public practice Mr P. O. DAVIS, F.A.C.C.A., retired with effect from October 31st, 1964, but will remain available for consultation. From that date the practice will be carried on by the remaining partners under the styles of DAVIS, BURTON, CRITCHLEY & CO, DAVIS, BURTON, MOON & CO, and DAVIS, BURTON, SELLEK & CO, from the present addresses, and the telephone numbers will be unchanged.

Mr L. W. HELLARD, F.A.C.C.A., announces that his business address is now 10 Mitcham Lane, Streatham, London SW16.

MESSRS W. LACON THRELFORD & CO, Chartered Accountants, of Liverpool House, 15–17 Eldon Street, London EC2, announce with deep regret the sudden death of their senior partner, Mr T. G. THRELFORD, F.C.A., on Thursday, November 12th. The practice is being carried on by the remaining partner.

MESSRS THORNTON BAKER & CO and Messrs JOSHUA WORTLEY & SONS, Chartered Accountants, of 8 Paradise Square, Sheffield, deeply regret to announce the sudden death on November 5th, 1964, of Mr JOHN SWIFT WORTLEY, F.C.A., who had been a partner in the firm of JOSHUA WORTLEY & SONS since April 1937 and senior partner since 1940.

MESSRS WELLS & PARTNERS, Chartered Accountants, of Eagle House, Jermyn Street, London SW1, and Messrs CITROËN & PARTNERS, of 19 Upper Brook Street, London W1, announce that they have amalgamated and are now practising under the name of CITROËN, WELLS & PARTNERS, at Argyll House, 246/250 Regent Street, London W1, and that Mr R. F. HEAL, F.A.C.C.A., formerly managing clerk to WELLS & PARTNERS, is now a partner in the firm of CITROËN WELLS & PARTNERS.

Appointments

Mr J. C. Ashton, F.C.A., has been appointed comptroller for The English Electric Group.

Mr A. H. B. Bangham, T.D., F.C.A., and Mr C. D. Jackson, F.C.A., have been appointed to the board of United Dominions Trust Ltd.

Mr J. Geoffrey Hanwell, T.D., F.C.A., formerly chief accountant of the University College of Cape Coast, Ghana, has been appointed financial controller and bursar of Njala University College, Sierra Leone.

Mr J. Hunter, A.C.A., has been appointed a director and secretary of Strand Electric Holdings Ltd.

Mr K. W. Jackson, A.C.A., formerly assistant accountant of Phoenix Assurance Co Ltd, has been appointed chief accountant as from October 1st, 1964.

Mr Leonard Knope, A.C.A., has been appointed financial controller of the Anthony Jackson group of companies.

Mr R. L. M. Mackie, F.A.C.C.A., has been appointed managing director of Cerebos Foods Ltd, with effect from January 1st, 1965.

Mr B. W. Neumann, A.C.A., has been appointed to the board of Polycell Products Ltd.

Mr R. B. Ritchie, F.A.C.C.A., has been appointed a director of Guest, Keen, Williams, Ltd.

Mr U. H. Salmon, LL.B., A.A.C.C.A., has been appointed general manager of the Jamaica Railway Corporation.

DEFENCE BONDS: CONVERSION OFFER

The Treasury has announced that a conversion offer will be made to holders of 3½ per cent Defence Bonds purchased between September 16th, 1954, and March 15th, 1955, and maturing on March 15th, 1965.

These holders will be invited to exchange their holdings into 5 per cent National Development Bonds (Conversion Issue) on March 15th, 1965. Holders who accept the offer of conversion will receive a final interest payment of six months' interest at 3½ per cent per annum on March 15th, 1965, together with the premium of £3 per cent on bonds exchanged. A first interest payment on the Conversion Issue Bonds will be made on July 1st, 1965, in respect of the period from March 15th, 1965, to June 30th, 1965. If the offer is not accepted, interest on the maturing bonds will cease with the payment due on March 15th, 1965. The terms of the new Conversion Issue Bonds will be the

same as those of the 5 per cent National Development Bonds currently on sale except that interest will be payable on January 1st and July 1st. The list of acceptances of the conversion offer will be closed on December 11th, 1964.

IN PARLIAMENT

Estate Duty

Mr WILLIAM HAMILTON asked the Chancellor of the Exchequer if he will publish in the *Official Report* a table showing in money terms by how much the national income has increased in the last twelve years, and the increase in the yield of estate duty in the same period; and whether he will take steps to tighten up the law in this field of taxation, in view of the evidence of tax avoidance.

Mr DIAMOND: The figures for the last twelve years are shown in the table below. On the second part of the question, my hon. friend will not expect me to anticipate my right hon. friend's Budget statement.

TABLE

(1) National income		(2) Net receipt of estate duty		Estate duty as percentage of national income
		£ million		
1952	12,716	1952–53	150·6	1·18
1953	13,711	1953–54	160·1	1·17
1954	14,513	1954–55	186·6	1.29
1955	15,388	1955–56	174·4	1·13
1956	16,743	1956–57	167·2	1·00
1957	17,720	1957–58	171·4	·97
1958	18,490	1958–59	186·7	1·01
1959	19,419	1959–60	226·2	1·16
1960	20,706	1960–61	235·9	1·14
1961	22,113	1961–62	261·1	1·18
1962	23,014	1962–63	270·4	1·17
1963	24,212	1963–64	312·4	1·29

(1) National Income Blue Book 1964, Table 1.
(2) Monthly Digest of Statistics, Table 142.

Hansard, Nov. 10th, 1964. Written answers, col. 44.

Capital Gains Tax

Mr WILLIAM HAMILTON asked the Chancellor of the Exchequer if he will publish the figures showing the total revenue derived from the capital gains tax introduced by his predecessor; and whether he is satisfied with the effectiveness of that tax.

Mr DIAMOND: The total revenue from capital gains realized in 1962–63, the first year for which the tax operated, is provisionally estimated at between £1¼ million and £1½ million. These figures relate to gains realized on assets which had been both acquired and disposed of between April 9th, 1962, and April 6th, 1963. My hon. friend will not expect me to anticipate my right hon. friend's Budget statement in answer to the second part of this question.

Hansard, Nov. 10th, 1964. Written answers, col. 46.

Post-war Credits

Mr WILLIAM HAMILTON asked the Chancellor of the Exchequer what is the value of outstanding post-war credits; and whether he will take steps to expedite their repayment.

Mr MACDERMOT: The amount of post-war credits outstanding at the end of October was £239 million. I have no statement to make on the second part of my hon. friend's question.

Hansard, Nov. 10th, 1964. Written answers, col. 49.

LIVERPOOL SOCIETY OF CHARTERED ACCOUNTANTS

The next meeting of the Liverpool Society of Chartered Accountants will be held in The Library, 5 Fenwick Street, Liverpool 2, on December 3rd at 5.30 p.m., when a talk will be given on 'Computer developments' by a representative of International Computers & Tabulators Ltd. The Society concludes its meetings for 1964 on December 8th, when (also at The Library, 5 Fenwick Street, at 5.30 p.m.) there will be a discussion on 'The Practitioner Inquiry', led by a panel of members of the Society.

Further particulars regarding the activities of the Society are obtainable from the honorary secretary, Mr E. L. Ashton, M.A., F.C.A., The Library, 5 Fenwick Street, Liverpool 2.

THE SHEFFIELD AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

A lecture on 'Current taxation developments affecting companies' is to be given to members of The Sheffield and District Society of Chartered Accountants by Mr K. S. Carmichael, F.C.A., at the Sheffield Industries Exhibition Centre, Carver Street, Sheffield 1, on December 1st, commencing at 5.45 p.m. On December 10th (also at the Sheffield Industries Exhibition Centre at 5.45 p.m.), Mr J. P. Hough, A.C.A., will speak on 'The impact of the computer on the accountant in industry and commerce'. At the same venue and time the Society concludes its meetings for 1964 on December 14th, when there will be a discussion group meeting.

In the New Year, addresses to be given will include 'Estate duty mitigation', by Mr H. D. Argent, 'Electronic computers and the auditor', by Mr A. Pinkey, A.C.A., and 'Commercial frauds', by Detective Chief Inspector Robinson of Sheffield City Police. In addition, the Society's programme will also include luncheon meetings and discussion group meetings.

The honorary secretary of the Society is Mr J. M. Beard, F.C.A., Victoria Chambers, 22 Norfolk Row, Sheffield 1.

STUDENTS' 'BRAINS TRUST'

A 'brains trust' for students, on insurance and accountancy, is to be held at the Chartered Insurance Hall, 20 Aldermanbury, London EC2, at 5.30 p.m. on Monday next, November 23rd, to which members of accountancy students' societies are invited.

The meeting, arranged by the Liaison Committee of Professional Student Bodies, will be presided over by Mr W. L. Grant, F.C.I.I., General Manager of The Pearl Assurance Co Ltd and the panel members will be as follows:

Mr A. C. J. Grieves, B.A., *Law Society (Associate Members' Group).*

Mr G. B. C. Hughes, M.A., F.C.A., *Chartered Accountant Students' Society of London.*

Mr A. R. Irvine, A.C.I.S., *Chartered Institute of Secretaries (London Students' Group).*

Mr A. G. O'Leary, B.A., F.I.A., *Institute of Actuaries' Students' Society.*

Mr P. C. Price, F.C.I.I., *Insurance Institute of London.*

A representative of *The Inns of Court Students' Union.*

THE ASSOCIATION OF SCOTTISH CHARTERED ACCOUNTANTS IN THE MIDLANDS

The first meeting of the 1964–65 programme of The Association of Scottish Chartered Accountants in the Midlands will be held at the Imperial Hotel, Temple Street, Birmingham, on December 7th at 6.30 p.m., when a talk on 'Computers, including control and audit', will be given by Mr J. S. Pugh, of Guest, Keen and Nettlefolds Ltd, and Mr S. Cuttell, A.A.C.C.A., divisional chief internal auditor, National Coal Board. On January 11th (also at the Imperial Hotel at 6.30 p.m.) Mr J. Hope, a director of the West Midlands Engineering Employers Association, will address members on 'The trade unions and the smaller company'. The biennial dinner of the Association will take place on February 26th.

The honorary secretary of the Association is Mr G. Wilson, C.A., c/o Messrs Wall & Tanfield, 4 Vicarage Road, Edgbaston, Birmingham 15.

CHAIR OF MANAGEMENT STUDIES

A Chair of Management Studies is to be established in Queen's University, Belfast. Financed for seven years by Rothmans Ltd, a company in the Carreras Group, the trustees of the Chair will be Lord Brookeborough, chairman of the Carreras Co in Northern Ireland, Sir Eric Ashby, former Vice-Chancellor of Queen's University and Mr Patrick A. Macrory, secretary of Unilever Ltd, and a member of the Northern Ireland Development Council.

SOUTHEND-ON-SEA CHARTERED ACCOUNTANTS' GROUP

The annual general meeting of the Southend-on-Sea Chartered Accountants' Group was held at the Popular Road House, Leigh-on-Sea, on October 30th.

The chairman reported a satisfactory year and a further increase in membership which now totals ninety-four. Satisfactory reports were received from the treasurer and the secretary. The following officers were elected for the ensuing year:

Chairman: Mr M. A. Wren, F.C.A.

Vice-Chairman: Mr E. W. Matthams, F.C.A.

Hon. Secretary: Mr A. A. Stewart, F.C.A., Assistant Accountant, Southend Waterworks Co, 13 Cambridge Road, Southend-on-Sea.

Hon. Treasurer: Mr L. H. Brazier, F.C.A.

Hon. Press Officer: Mr E. W. Matthams, F.C.A.

Committee: Mr G. Cunningham, A.C.A.; Miss M. D. Honey, A.C.A.

The secretary reported that the annual dinner of the group has been arranged for Tuesday, December 15th, at Garon's banqueting suite.

UNIVERSITY OF BIRMINGHAM

Course on Costing

The Department of Engineering Production in the University of Birmingham is to hold a course on costing for decisions in planning and control from January 4th–15th, 1965. The course is designed primarily for those engaged in management advisory services such as works study, production planning, operational research, etc. The lecturers will include several members of the accountancy profession, including the President of The Institute of Cost and Works Accountants, Mr J. P. Wilson, F.C.W.A., F.C.I.S. Applications to attend should be made to the Deputy Director of the Department, at 16 Norfolk Road, Birmingham 15.

THE ACCOUNTANT BY AIR

The advantages of keeping completely up to date are obvious. Overseas readers of *The Accountant* may receive their copies of each week's issue within a few days of publication by subscribing for the airmail edition printed on special thin paper of high quality. The subscription for the airmail edition is £7 15*s* a year, including additional postage, irrespective of the country to which copies are sent, and £3 17*s* 6*d* per half-year.

Readers abroad who are interested in receiving the airmail edition, or anyone who may wish to send *The Accountant* to relatives or friends overseas, should write to the Subscription Department, 151 Strand, London WC2.

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE ACCOUNTANT

ESTABLISHED 1874

NOVEMBER 28TH, 1964 VOL. CLI. NO. 4693

CONTENTS

'Short' Interest Not Deductible

SURTAX payers who learned last year of the Court of Appeal's decision that they could deduct payments of short interest in computing their total income[1] have had rather less than a year in which to rejoice; for last week the House of Lords reversed that very satisfying decision. Everything is now as it was before: annual interest is deductible, short interest is not deductible – subject to a 'concession' in the case of short interest paid to banks, stockbrokers and discount houses. The moral for surtax payers seems to be, if you borrow at all, borrow long.

Mr PHILIP B. FRERE, who was a partner in a firm of solicitors, borrowed in March 1957 the sum of £50,000 from an unlimited company, under an oral agreement that it should be repaid not later than January 31st, 1958, together with interest at a rate equal to ½ per cent per annum above Bank rate, with a minimum of 6 per cent. On December 3rd, 1957, he repaid the £50,000 and on December 17th, 1957, he paid interest of £2,210 on it, without deducting any tax. The tax inspector informed the company that it was not carrying on a banking business within the meaning of section 200 of the Income Tax Act, 1952, and the company then paid Mr FRERE some £939 representing income tax at 8*s* 6*d* in the £ on the interest he had paid.

In his return of income for the year 1957–58, made on December 23rd, 1958, Mr FRERE inadvertently omitted to include the £2,210 interest in the 'charges' space. For that year he was assessed to, and paid surtax on, a total income of £17,020, computed without any deduction for the £2,210 interest. On April 28th, 1961, he applied to the Inland Revenue for 'error or mistake' relief for 1957–58, under sections 66 and 229 (5) of the Income Tax Act, 1952, on the ground that he had mistakenly omitted to claim the deduction of the £2,210. The Inland Revenue refused the relief.

On August 14th, 1958, Mr FRERE borrowed £40,000 from the same company under an oral agreement under which the money would be repaid within approximately one month together with interest which was at the same rate as before. He promptly re-lent this £40,000 to a valued client of his firm who repaid it within a month, together with interest at 6 per cent per annum, amounting to £200 less tax. Mr FRERE repaid the £40,000 to the company on September 17th, 1958, with £186 odd interest less income tax at 8*s* 6*d* in the £. He appealed to the Special Commissioners against a surtax assessment made on him for 1958–59 on the

[1] *C.I.R. v. Frere.* 42 A.T.C. 452.

ground that the short loan interest was deductible. He also appealed to the same body against the refusal of 'error or mistake' relief for 1957–58. It was common ground between him and the Inland Revenue that neither section 169 nor section 170 of the Income Tax Act, 1952, applied to either sum of interest paid by Mr FRERE. In other words it was agreed that income tax was not deductible at source from either payment of interest. This was because the interest was not '*yearly* interest' within the meaning of section 169.

It is one of the confusing features of the Income Tax Acts, so verbose in so many respects, that they nowhere define precisely what they mean by 'total income' in relation to surtax. Section 524 (1) of the Income Tax Act, 1952, has the merit of brevity, but little further merit. It says that:

> ' "total income", in relation to any person, means the total income of that person from all sources estimated, as the case may be, either in accordance with the provisions of this Act as they apply to income tax chargeable at the standard rate or in accordance with those provisions as they apply to surtax.'

Section 524 (2) enjoins a person making a return to observe the requirements of the Twenty-fourth Schedule to the Act. Paragraph (3) of that Schedule requires him to show a:

> 'Declaration of the amount of interest, annuities or other annual payments to be made out of the property or profits or gains assessed on the person in question, distinguishing each source.'

The Special Commissioners allowed the appeal on the ground (*a*) that the word 'interest', and not 'yearly interest', appears in the third paragraph, and (*b*) it would be contrary to principle to assess the recipient of the short interest, and not to allow it as a deduction to the payer.

Mr Justice WILBERFORCE reversed this decision.[1] He in turn was reversed by a majority of the Court of Appeal[2] and Mr FRERE appealed to the House of Lords. They were unanimously against him, the main speech being given by Viscount RADCLIFFE.

The Inland Revenue relied strongly on section 2 (2) of the Income Tax Act, 1952, which provides that where a person is required for any year to be assessed in respect of property, profits or gains out of which he makes any payment in respect of:

> '(*a*) any *annual* interest, annuity or other annual sum; . . .
>
> he shall in respect of so much of the property, profits or gains as is equal to the said payment, and may be deducted in computing his total income, be charged at the standard rate only.'

This, however, does not expressly forbid the deduction of short interest, if such deduction is elsewhere provided for. Both sides relied on section 200 of the Income Tax Act, 1952, which makes express provision for relief from standard rate income tax in respect of short interest paid to specific classes of taxpayer: bankers, stockbrokers and discount houses. Mr FRERE said that this dealt only with standard rate tax, and implied an assumption that such interest was already deductible for surtax. The Inland Revenue said that the fact that relief was confined to specific cases showed that there was no general relief for short interest at all. Eventually, both sides seemed to be agreed that the answer was to be found in the provisions in the Income Tax Act, 1842, dealing with the computation of total income for the purposes of claiming exemption.

Lord RADCLIFFE criticized the Special Commissioners' observation that to disallow the interest was to tax it twice. There was only one item of interest in each transaction, and only one payment of it, i.e. from the borrower to the lender. Turning to the 1842 Act, his lordship said that when the makers of that Act wished to prescribe what was to be taken as the 'aggregate annual amount' of a man's income, they allowed the amount to be reduced by the annual interest payable out of his income, i.e. they thought that 'annual interest' diminished his income. In *Earl Howe*'s case[3] it was held that only those annual payments from which tax was deductible were deductible for surtax and this was followed in *Bingham v. C.I.R.*[4] This recognized the wording of section 2 (2). The argument for deducting short interest as well was based on the provisions of the 1842 Act. However, after considering the relevant provisions, his lordship held that no such meaning could be spelled out of those provisions.

[1] 42 A.T.C. 325.

[2] 42 A.T.C. 452.

[3] 7 T.C. 231.

[4] 34 A.T.C. 231.

Second Finance Bill

THE new Finance Bill was published last week. It has ten clauses and is divided into three parts. Part I deals with income tax and has one clause; Part II is headed 'Customs and Excise' but deals with the former more than the latter; Part II has the lion's share of the clauses – eight. The final clause and the final Part are one; they deal with the short title, the construction and repeals. To make up for the paucity of clauses there are four schedules, two dealing with the temporary customs duty, one with the new rebates, and the last containing the repeals.

Clause 1 imposes standard rate income tax for 1965–66, perhaps a little prematurely, at 8*s* 3*d* in the £. It also provides for rates of surtax on incomes over £2,000 as Parliament shall determine. This is sub-clause (1). Sub-clause (2) is longer and more complicated but all it does is to maintain the present reduced rates of tax. These, of course, are normally expressed in terms of reliefs from the standard rate, and therefore have to be raised by 6*d* each. Not only are the 1965–66 surtax rates left in the air; the 1964–65 surtax rates are in the same place. Of the many other income tax changes promised or threatened, there is still no sign in the Bill. However, it seems that the enormous administrative task of reorganizing P.A.Y.E. tables can be got under way at once.

Clause 2 imposes the increased duty on petrol and similar fuels. Instead of saying that existing duties are to go up by 6*d* a gallon, it imposes new duties in place of the old. Clause 3 imposes the notorious 15 per cent additional customs duty 'on all goods imported into the United Kingdom', subject to clause 4 which contains exemptions. This new charge is not to affect liability to purchase tax under group 35 in Part I of Schedule 1 to the Purchase Tax Act, 1963. This group charges manufactured beverages to purchase tax but excludes those beverages bearing special customs duty, i.e. spirits, beer and wine. Clause 3 (7) excludes the new duties from the 'regulator' powers. Clause 3 (8) permits the seller of goods to charge the new duty to the buyer, notwithstanding an existing agreement that the seller should bear all customs duties. The duty is to last only until the end of November 1965, subject to the right of the Treasury to extend it to November 1966.

Clause 4 and Schedule 1 set out the goods which are exempted from the new 15 per cent duty. Generally speaking, these goods are raw materials, but they include, oddly enough, sugar confectionery, pastry cooks' ware, coffee, tea, maté and spices. The Treasury are given power to alter the list by order. Clause 5 contains detailed provisions for drawback of the new duty where the goods are re-exported. Clause 6 and Schedule 2 provide for various reliefs from the new duty. These are in favour of goods to be used in shipyards, goods subject to diplomatic privilege, and spirits used in manufacture for medical or scientific purposes.

Clause 7 and Schedule 3 provide for the new system of rebates on exports of manufactured goods, the rebates to be in respect of duties on hydrocarbon oils, vehicle excise duty, and purchase tax incurred in connection with the production, manufacture or carriage of the goods. The rebate is to be a stated percentage of the 'export value' of the goods. The precise percentage is not given in the Bill; the Treasury is to fix it. There may be different percentages for different classes of goods. Clause 8 makes provision for payment of rebate in advance, subject, of course, to close policing of these advances. The duty is laid on the recipient of a rebate to report to the Commissioners any event which would entitle them to repayment of the rebate. Further powers are given to the Commissioners by clause 9 which provides for inspection of books and the like. Schedule 3 contains elaborate provisions for arriving at the 'export value' of goods and, of course, deals with collusive arrangements to inflate prices artificially.

No doubt the Inland Revenue can take the new Bill in their stride, but the Commissioners of Customs and Excise have certainly been given a formidable task.

This is Not a Rude Answer

IN the past few months, the future of the accountancy profession has been the subject of critical articles in a number of national periodicals. The tenor of these may be gathered from their titles – 'Accountancy: What's Wrong?' in *The Sunday Times*, June 28th; 'Accountants *v.* Boffins' in *The Times Review of Industry* for September, and, in *The Economist* of last week, 'What is the use of accountants?' The last of these – which begins disarmingly 'This is not a rude question . . .' – is, despite some inaccuracies, by far the most constructive of the series and deserves consideration.

The problem facing the profession, as the writer in *The Economist* sees it, is briefly – most of its members are still 'humble workers in an old vineyard' engaged in the necessary but unexciting task of auditing. Unless forward-looking leaders from within the profession are forthcoming to direct their efforts into channels of practical use to the economic advancement of the country, accountants may well find themselves superseded by computers on the one hand and consultants on the other.

These strictures, while much better expressed than by the previous comparatively pedestrian critics, have nevertheless a familiar ring as has also the string of prescriptions which follow. These include the breaking down of barriers – real or imaginary – dividing chartered, certified and other accountants by the adoption of a common training system; a critical review of that training system in the light of the functions of the accountant of the future; and a revision of basic accounting principles with a view to making financial statements more realistic.

Such an opportunity of 'seeing ourselves as others see us', particularly when the observer has the penetrating and objective outlook of *The Economist* writer, is one not lightly to be dismissed. Moreover, it is clearly no justification merely to say that the problems presented are already recognized in the minds of all but the most conservative of members of the profession. The real case for the defence rests in being able to show that something positive is being done now to organize the profession to meet the demands made on it by the changing and challenging times. We believe that a major move in this direction was the integration in 1957 of The Society of Incorporated Accountants with the three Chartered Institutes. Another and more recent move (which *The Economist* writer notes with approval) was the inauguration of the Joint Diploma in Management Accounting. It is certain that other even more far-reaching schemes will mature in due course and the various professional bodies can be relied upon to decide the timing and treatment for such developments. There are few situations in life that cannot be honourably settled and without loss of time . . . by a bag of gold, said KAI LUNG. This may apply to amalgamations by commercial concerns but not to those formed by professional institutions where the conservation of principles and practical standards is the first consideration.

The Economist writer finds much to criticize in the training system operated by the English Institute and here, probably due to lack of 'inside information', he is rather less than fair. Few who have served in a first-class professional office (and that does not necessarily mean a large office) in their formative years have ever regretted the mental discipline imposed on them. It is the very ethos in which 'organized minds' (for which *The Economist* writer pleads) are produced. The Council of the Institute is rightly so insistent on this tradition being maintained and strengthened that it now interviews practitioners before they sign on their first articled clerk.

The validity of the other main charge against the profession – that accountants sometimes fail to distinguish between 'historical records of stewardship' and clear statements of current worth and profitability in absolute and comparative terms – has been challenged many times before and at great length in these pages. Only two points need to be made now. One is that in the past fifteen years accountants, in various capacities, have been instrumental in improving the presentation of accounts out of all recognition. The other is that despite the additional personal responsibilities which it would entail, the constituent accountancy bodies have consistently been foremost in putting forward constructive proposals for company law reform.

'Discovery' Sampling in Routine Audit Tests

by W. K. WILLIAMS, F.C.A.

DURING the post-war period, and the last decade in particular, the accountancy profession in Britain has seen great advances in accounting techniques, while the accountant in industry has made increasing use not only of mechanical and other aids, culminating in the electronic computer, but also of specialist services such as those provided by economists and statisticians.

The purpose of this article is to submit that, although some improved auditing techniques (in particular, the greater emphasis now laid on internal control systems) are now in evidence, the professional auditor, unlike the accountant in industry, has not, in general, made any real use of statistical sampling.

Statistician not Necessary

It should not be necessary for a professional firm to employ a statistician, since an experienced auditor should be capable of carrying out certain audit tests by simple statistical sampling methods with a limited amount of careful coaching based on a study of the right textbooks. In this connection *Handbook of Sampling for Auditing and Accounting*, Volume 1, by Professor Herbert Arkin[1], is particularly recommended, since it is very readable and relevant to auditing problems.

It is not proposed here to discuss the various methods of statistical sampling and their possible uses in auditing, but merely to illustrate the advantages of one particular method, known as 'discovery' sampling, as applied to routine audit tests, when the items sampled are selected by means of 'systematic' sampling. The object of such tests is here assumed to be the discovery of errors (throughout this article the word 'error' includes an omission, deviation or manipulation of any kind) in the books and records, or in the operation of the system of internal control, and thereby to form an opinion as to the reliability of such books and records for the whole of the year under review.

Advantages of Discovery Sampling

An audit test of the type at present envisaged performed by statistical sampling methods has the following advantages over the traditional method of checking a series of consecutive items, say, for one or more months of the year:

(*a*) The problem of deciding how much to check is far less acute, since the auditor is able to determine beforehand what degree of risk he is taking, either of the test failing in its object through too few items being checked, or of his checking more items than are necessary, according to the sample size he chooses. Put another way, he can fix his sample size accordingly to the degree of risk he is prepared to take of not finding at least one error in his sample (if, in fact, errors exist to a significant extent in the 'population'). Under traditional methods, such a risk is usually quite considerable, although incapable of statistical calculation. Nevertheless, it is submitted that by using traditional methods many auditors check far more items than would be necessary if statistical sampling were applied.

(*b*) A statistical sampling plan of the nature being considered involves taking a sample from all of the items of the category selected for testing, and the test is automatically spread over the whole year. The principle is that, by the use of random sampling, every single item has an equal chance of being checked by the auditor. This is probably the ultimate application of the widely-held view that tests should, as far as possible, be spread over the entire year.

(*c*) The auditor is able to appraise the result of his test; according to the number of errors etc. (if any) which he has discovered in his sample, he can calculate the probable maximum number of similar errors etc. which he could have found if he had carried out a 100 per cent check. Thus he can decide upon the overall reliability of the books and records for the whole year so far as that particular type of transaction is concerned.

If no errors etc. are found, which is frequently the case on some audits, a sample size as small as 200 or even 100 will give a reasonably high confidence as to the overall reliability, *no matter how large the total number of items for the year*. For example, if a sample of 200 is taken out of a total of 5,000 items and no errors are found, then there would be a confidence level of 95 per cent that the maximum possible rate of error which could be found if all 5,000 items were checked would be 1·5 per cent. This, of course, does not mean

[1] McGraw Hill Publishing Co Ltd, Maidenhead. Price £5 net.

that there are necessarily any errors at all. It does mean, however, that there are ninety-five chances out of one hundred that *at least* 4,925 items (98·5 per cent) are correct. If, instead of 5,000, the 'population' was 50,000 there would be a similar confidence level that at least 98·5 per cent, or 49,250 items, are correct.

(*d*) The preliminary calculations necessary to determine the sample size and the degree of risk which is acceptable will tend to make the auditor stop and think about the specific object(s) of the test, since certain tests are sometimes considered to be more important than others, and in consequence less risk can be taken with them. Conversely, for less important tests the auditor may be prepared to use a small sample size and so increase the degree of risk.

(*e*) It will be found in practice that audit staff, particularly at junior level, will find their work more interesting.

Discovery sampling is of particular value to an auditor where a good system of internal control is operating satisfactorily and past experience has shown that the books and records are comparatively error-free. As previously stated, when the rate of error in the sample is nil, a reasonably high confidence level as to the overall accuracy of the items is obtained with a sample size of as little as 200 or even 100 no matter how large the total number of such items in the year.

In view of this it is clearly possible in such cases to make the sample size comparatively small which, incidentally, coincides with the recognized practice of reducing audit tests to a minimum where the internal control is satisfactory.

Traditional Methods not Conclusive

It is stressed that discovery sampling is concerned with entries or documents as such, and does not discriminate between low-value and high-value items, which is also true of existing methods of test-checks of transactions. The latter are often supplemented by additional checks on higher-value items, and here it might be practicable to employ a statistical refinement known as 'stratified' sampling, whereby more (or all) of the higher-value items would be checked and fewer of the low-value ones. The auditor would, however, have to measure the advantages of using such a refinement against the additional time involved.

The rejoinder to those who might object to the use of statistical sampling methods because they have heard that 'statistics can be made to prove anything', is that under traditional methods of testing a year's transactions nothing very conclusive *as regards the year as a whole* is proved anyway. Moreover, statistical sampling is being studied by a growing number of auditors in the U.S.A. and its usefulness for some audit tests has been endorsed by a committee on statistical sampling of the American Institute of Certified Public Accountants.

It is submitted that under traditional methods the findings of an audit test of, for example, one month's transactions are only valid for that particular month, and the auditor takes upon himself the responsibility, and accepts the risk, of making the assumption that the remaining eleven months are equally acceptable to him. Such a procedure disregards the possibility of a different condition obtaining either before or after the period tested owing, for example, to staff changes, human factors resulting in reduced efficiency, or a sudden temptation to commit fraud.

While some auditors aim to reduce the risks inherent in such hazards by testing perhaps one month in each half-year, or a proportion of a month in each quarter, this procedure contains no guarantee that any errors etc. will be found among the periods or portions checked; in fact, the year may contain numerous errors but, owing to their distribution, all of them may occur in the unchecked periods or portions, and in consequence the conclusions drawn from the result of such tests, where no errors are found, could be quite wrong.

Compare this with a statistical sampling plan where 200 items are sampled, then, irrespective of the total number of items for the year, if numerous errors exist (in statistical terms, 'if the error-rate is significant') and if one assumes the maximum likely error-rate not to be greater than 2 per cent (see reference under 'error-rate assumption' below) there is a reasonable assurance, if not an absolute guarantee, that *at least* one of such errors will be found in the sample – the confidence level of so doing is in fact not less than 98 per cent. This can be expressed another way by saying that out of every one hundred different samples taken, all but two of them would disclose at least one error in the sample.

While it is accepted that the mechanics of statistical sampling are based on probabilities, such probabilities are capable of statistical measurement. It is suggested that many auditors using traditional audit-test methods are, in fact,

not basing their assumptions even on probabilities, but rather on possibilities. The question may well be posed: Are they not taking greater risks than necessary and perhaps spending too much time in the process?

Error-rate Assumption

Generally speaking, a statistical sampling plan calls for an assumption to be made by the auditor as to the probable maximum error-rate over the year (which, of course, is an unknown factor prior to carrying out the test) in order to fix the appropriate sample size. However, in those cases where, for example, the auditor has no previous knowledge of the audit to help him in making such an assumption, such predetermination of sample size may be dispensed with, since an appraisal of the result of the test will disclose the limits of reliability of the sample, according to the error-rate contained in the sample. Such appraisal may show that the sample size used was in fact either too small or too large; in the former case, the matter is easily rectified by extending the test; while in the latter, it means that the auditor has spent more time than necessary on the test. In such cases it is clearly preferable to take a small sample size and then extend the test if necessary. The auditor will, in any event, have acquired some knowledge which may help him to determine the sample size probably necessary for future tests on that particular audit.

The following words appeared in the leading article 'Challenge to accountants' in the September 12th issue of *The Accountant*:

> 'If accountants are to retain the confidence and goodwill they have built up over the years they must not scorn new approaches to old problems and even, if necessary, borrow from others some of the techniques that may be needed for the task.'

It is interesting to note that 'Practical statistics for today's accountant' is the subject for discussion at a meeting of the London and District Society of Chartered Accountants on December 8th.

Investment and Growth

by SIR ROBERT SHONE, C.B.E.
Director-General, National Economic Development Council

Based on an address to The Chartered Accountant Students' Society of London on November 9th

THE National Economic Development Council is involved in the process of forward planning. There are all sorts of interpretations of what is meant by planning, but some fourteen countries in Western Europe are now engaged in making medium-term projections of four or five years ahead.

N.E.D.C.'s original 4 per cent objective was based on an increase of the labour force of 0·8 per cent per annum in the current five years to 1966, compared with 0·6 per cent annual growth over the last eight years, from 1953 to 1961, and an increase of output per worker of 3·2 per cent per annum compared with 2·2 per cent previously.

The first element in the projection is the labour force. It is increasing slowly in the United Kingdom compared to most other countries. Turkey, to take an extreme example, has a growth programme of 7 per cent a year made up of a 4 per cent increase in the labour force, and 3 per cent growth of output per man. We can increase our labour force by bringing into employment unused manpower in the less prosperous regions, by attracting more married women into work and so on.

However, the main contribution to faster growth must come from more output per head, or increased productivity. To get 4 per cent growth we need a 3·2 per cent growth of productivity, compared with 2·2 per cent since 1953, and the problem is therefore how to effect this improvement.

By historical standards even 2·2 per cent is fairly good. In the earlier years of this century it averaged only 1·5 per cent. In most countries growth rates have been accelerating and we have an upward trend in our favour, but not anything like sufficient to achieve a sudden jump from 2·2 per cent to 3·2 per cent.

Importance of Investment

Investment is a major way of increasing productivity. Investment is the devotion of effort *now*, not to give current consumption, but to produce output in the future which will show a surplus over and above the effort currently exerted. It is this surplus that in all economies – from the Marxist to the wholly *laissez faire* – is a major source of growth.

An increase in the proportion of the national

product devoted to investment has been one of the causes of the higher growth rates achieved since the war. Before the war we were investing about 13 per cent of the national product; this increased to 15 per cent over the period 1953–61, and it is expected that the proportion will reach 18 per cent during the 1961–66 period.

What is the order of magnitude of the result we can expect in the form of higher growth from this increase in investment? This question turns on the surplus the investment generates above its cost, i.e. on its 'return' over and above the amount required for the recovery of the capital involved. For industry the real return, before tax, seems to average about 10 per cent on the capital involved: real return is the return excluding any inflationary effects due to price changes. The return to the community as a whole may be expected to be rather higher than 10 per cent for various reasons. For instance, with new plant higher wages are often paid, possibly in the form of output bonuses, so that part of the benefit of the investment is received directly by labour, and is not shown up by the company's return on the investment. Again some of the benefit may spill over to other firms, who may copy a new plant or at least learn something from its experience. For these and other reasons, the 'social' return is likely to be higher than the 10 per cent which business receives; possibly it is about 15 per cent.

With extra *gross* investment of about 3 per cent more of the national income than in the base period used for comparison (1953–61), or 2 per cent more *net* if an allowance is made for extra depreciation, then the 2 per cent more times the 15 per cent return, equals 0·3 per cent growth. Or an increase of nearly one-third of 1 per cent may be expected to accrue from the higher rate of investment in physical assets of all sorts.

Investment in 'Human Capital'

But investment is not confined to plant, machinery, buildings, etc. There is increasing awareness that money spent on education and training is a form of investment analogous to investment in physical capital. In each case money is spent now to receive returns in the future. Human investment takes the form not only of formal education, but also of training on the job. And investment in human capital is rising. Formal education alone has risen from about 2 per cent of the national product in 1946–47 to nearly 4 per cent in 1960–61 and may be nearly 5 per cent by 1966. The increase in on the job training is also substantial. Thus it may be that at least another 1 per cent annually of the national product will be going into this form of investment during the current five-year period compared with the earlier years used for comparison.

Here again the question arises: What is the return on investment in human capital, and how does it compare with that from investment in plant and machinery? It is not so easy to measure, as it is not immediately apparent what the annual returns or 'profits' from this sort of investment are. However, in the United States, and a few other countries, the question has been examined. As might be expected, it is found that there is a positive correlation between higher spending on education and the subsequent higher incomes of individuals. But all the extra incomes cannot be attributed to the education. People who have higher education may have higher native ability, their parents may provide a background that helps and so on, hence they would on average probably have higher than average incomes anyway. Great efforts have been made to try and separate these factors so as to form an estimate of the extra incomes actually attributable to the education. One study indicated that about two-thirds of the difference in income was still attributable to education after adjustment had been made for initial ability, parents' background, etc.

Considering the cost of the 'investment', allowance has to be made not only for the direct costs in the form of fees, Government grants to the school or university etc., but also for the fact that the student would otherwise be working and earning money, which he is sacrificing – sometimes wholly, sometimes in part – while he is being educated. This sacrifice may be met sometimes by maintenance allowances; sometimes it is borne directly by the student or his family, sometimes a business firm may contribute part of the training cost.

The costs of education and training are not easy to track down. And the benefits, too, are often widely dispersed. Some part of them come back to the student in the form of higher income later on, some part to the State in the form of higher taxation on this income. The rest is widely diffused.

The same calculation of the return on educational investment has been made in Britain in a small way. Dr Mark Abrams recently published some figures in *New Society*[1] showing the extra incomes received by those who have had extra education, and an analysis of the figures (discounting them for differences in initial ability etc., on the American lines), showed that for those staying at school from 15 to 18, as compared with those leaving at 15, there was a return on the outlay of about 15 per cent per annum. Taking this as being roughly typical, then 15 per cent on the extra 1 per cent of the national income being devoted to education gives 0·15 per cent in extra growth, worked out on the same lines as the return from the extra investment in physical capital.

Again, one could do the same sort of exercise for expenditure on research and development, which is equally a form of investment, in that the people engaged in it, instead of directly producing cars or clothes or chocolates work in their laboratories to produce benefits to be used several years later. Here, too, money is spent today in the anticipation of receiving greater returns tomorrow. Needless to say the

[1] 'Rewards of Education', *New Society*, July 9th, 1964.

returns from this are almost impossible to measure, but spending under this heading is already very large and is increasing as a proportion of the national product.

From all these sources we get about one-half of the 1 per cent extra growth in productivity that the 4 per cent objective calls for. We could in theory get even more by stepping up investment still further, but we have to bear in mind that there is a limit to the extent to which individuals and communities are prepared to abstain from present consumption in order to get more in the future. So the main part of the balance must come from making better use of the resources of manpower, machinery and factories that we already have or will have in the future.

Fortunately, there is a broad area of common agreement about some of the policies needed; policies to make better use of our manpower, to facilitate movement from declining jobs to growing jobs and so on.

Investment Decisions

There is, however, need for improvement in the way investment decisions are taken so that firms make the most profitable investments that they can, to their own and the country's benefit; and in making such decisions react rationally to the taxation system and particularly to the alterations in its details which the Government from time to time introduces, for instance in the system of capital allowances. In this connection reference should be made to the Richardson Committee's Report; in particular to their conclusion that industrialists on the whole take little account of changes in the level of taxes on profits in their decisions about pricing and investment. There is not much point in making changes in the taxation of profits to encourage investment if these have little effect on the behaviour of industry.

There is other evidence that the ways in which investment decisions are reached are arbitrary, or at least erratic. For instance, Terborgh, a leading American writer in this field, held a conference with fourteen major American companies to discuss the basis on which they decided their investment programme. They all made decisions on the basis of a rate of return, but together they had fourteen different ways of doing this. The whole subject of the basis upon which proper investment decisions should be made needs much closer consideration. A more scientific approach could lead to better decisions being made, and to more investment being carried out in key sectors, particularly in industrial modernization and process improvements where the impact of the investment and other allowances are often not fully taken into account.

Apart from the method of calculation, the level of return at which businesses aim at is of importance. If companies aim at too high a rate on their investments, they will be slow to install new machinery and modern equipment, and protection will be given to inefficient plant after the point at which it should have been replaced. The whole modernization process will then be slowed down. It is equally bad if too low a return is aimed at. There is only a limited amount of capital available and if it is invested to give too low a return, growth again will be held back. Thus it is important to decide what is the correct rate to aim at.

Just after the war companies were frequently thinking in terms of something like a 20 per cent return. Since then the return sought has probably come down to around 15 per cent – a recent study by Manchester University indicated this sort of figure. That is, 15 per cent after providing for depreciation, but before tax. The high rates of return after the war were partly illusory, as capital tended to be measured at pre-war values, while profits earned were at the higher post-war levels.

As for after-tax returns, Alfred, writing in the *Investment Analyst*, and Merrett and Sykes in the *District Bank Review*, estimate that they have been in the region of 7 per cent. On the face of it this does not tie up too badly with a gross return of 15 per cent, before income and profits tax.

However, if you look at the current tax arrangements more closely, you will find that there is no uniform relation between before and after tax returns; it all depends at what type of asset you are looking. It is no good simply having a rough and ready average estimate of the relationship, because the effect of the different capital allowances is a major matter as between investment in plant and machinery, buildings and stocks, respectively.

Using the discounted cash flow method of estimating after tax returns brings out very sharply the advantages, under the present tax arrangements, of investing in plant and machinery. These give a very fast capital recovery in the early years. The effect of these allowances is so great that in fact the gross return needed in order to get 7 per cent after tax on plant and machinery so far from being 15 per cent before tax, is frequently rather *below* 7 per cent before tax. Of course, to reap the full advantages of the allowances you have to have sufficient profits already in other parts of the business to take full advantage of the allowances as soon as they are due; also in so far as the investment consists partly of other assets such as buildings, where the allowances are not so large in the early years, or of stocks, which receive no allowances, the effect will be quite different. But the allowances are such that, in considering installing a modern piece of equipment, a modest gross return will give a surprisingly high net return on the investment.

These points show how much scope there is for a more systematic and accurate appraisal of the returns on investment. This is an area which falls on the borderline between what the accountant is worrying about and what the economist is worrying about, and it is one of many to which much more attention must be given as part of the more professional and scientific approach to management in the future.

THE ACCOUNTING WORLD

Looking to the Future

NETHERLANDS ACCOUNTANTS' ANNUAL CONFERENCE

PRESENT and future problems confronting the accountancy profession were commented on by the President of the Nederlands Instituut van Accountants, Professor G. L. Groeneveld, at the Institute's recent Accountants' Day Conference held in Scheveningen.

Professor Groeneveld presided at the conference sessions in the Kurhaus Hotel, a building which evoked pleasant recollections of the Institute's Diamond Jubilee celebrations held there in 1958.

In addition to some six to seven hundred members of the Netherlands Institute, there were present accountants from Austria, Belgium, Canada, Denmark, France, Germany, Great Britain, Ireland, Italy, Luxemburg, Norway, Sweden and the United States of America. The Institute of Chartered Accountants in England and Wales was represented by the President, Mr W. Guy Densem, F.C.A., with Mr C. Evan-Jones, M.B.E., Joint Secretary; the Scottish Institute by Mr J. W. Dallachy, M.A., C.A., President, with Mr E. H. V. McDougall, Secretary; the Irish Institute by Mr J. Love, F.C.A., President, with Mr W. Stuart Orr, B.A., LL.B., F.C.A., Secretary; and The Association of Certified and Corporate Accountants by Mr R. Statham, C.B.E., J.P., F.A.C.C.A., President, with Mr F. C. Osbourn, M.B.E., B.A., LL.B., Secretary. The representative of the American Institute was Mr J. J. Mahon, Jr, C.P.A., Chairman of its Committee of International Relations. For the Union Européenne des Experts Comptables Economiques et Financiers there were present Mr H. C. Treffers, President; three Vice-Presidents, Monsieur E. Archavlis, of France, Mr Alexander McKellar, C.A., of Scotland, and Herr K. A. Ziegler, of Austria; together with two members of the executive committee, Dr A. Bottelli, of Italy, and Monsieur Marcel Masson, of France, and Dr L. Perridon, Secretary-General. Mr Douglas A. Clarke, LL.B., F.C.A., Monsieur F. M. Richard, President of the forthcoming Ninth International Congress of Accountants, and Mr Leon Saxe, Chairman of the Accountants Study-Group of the European Economic Community, attended as guests of the Netherlands Institute.

Also present were Mr L. de Block, State Secretary for Foreign Affairs, Professor Dr J. Zijlstra, formerly Minister of Economic Affairs and Finance, and several members of the Second Chamber of the States-General of the Netherlands.

Forty-seventh Accountants' Day

Professor Groeneveld, in his opening address, said that the 1964 meeting was the forty-seventh Accountants' Day organized by the Institute, which was now nearly seventy years old. He was glad to say that over the years the Accountants' Days had answered their purpose for they had given Government authorities and those engaged in trade and industry an opportunity to meet members of the profession.

The President went on to say that it was clear that the rapid development of technical aids in accounting, notably automation, made demands which did not leave the accountant untouched. As early as 1958 a successful initiative had led to the establishment of the Netherlands Research Centre to deal with the subject of automatic data processing. In close contact with accountants, the Research Centre's activity was growing constantly. This had created an interaction, which on one side gave the Research Centre the opportunity to make use of the expert knowledge of the accountancy profession, while on the other, the Research Centre's activities were directed to supplying the information requirements of the profession. For this reason there had so far been no need to provide an independent information service in this field for the members of the Netherlands Institute within the framework of their own organization. The President added that an annual study conference on administrative and accounting organization was held for those members of the Institute who were interested in the subject. This, he said, was not a typically Dutch problem: the accountancy profession abroad was also confronted with similar problems. There was a great demand for expert knowledge of management accounting, the supply of information to management and with all aspects of organizational work.

Service to Management

The training of accountants in the Netherlands, said Professor Groeneveld, was in essence based on business economics and owed much to the development of the science of administrative and accounting organization. In the Dutch accountancy profession members were not only expert in their knowledge of auditing, but also in the fields of business economics and organization which enabled them to give to their clients or employers the assistance they required in this field. In this work the accountant entrusted with the auditing of accounts had clearly a start through his specific knowledge of the details of the client's business. There were great possibilities for the accountancy profession in this field.

The President said that these matters were not only of interest to the public accountant but also to his colleagues who were in the employment of trade and industry, especially internal auditors. This was in contrast to the organization of comparable accountancy professions in countries such as Germany and France, where the membership of professional organizations was open only to public accountants.

In Holland all who successfully passed one of the prescribed examinations were eligible for membership of the Dutch Institute. Out of some two thousand members of the Institute, about 50 per cent were active in public practice and a considerable part of the remaining members performed accountant's functions in the employment of trade and industry or in the Civil Service.

The Institute claimed to be, for all its member categories, the professional organization able to handle their problems. An important additional benefit was that the mixing of members, active in different functions, created mutual consideration in the study and solution of problems. On the other hand it would be useful, in view of the growing number of those employed in positions other than that of public accountant, to pay more attention to problems bearing special relation to these other functions.

European Union

The developments confronting the accountancy profession in Holland were not limited, said Professor Groeneveld, to Holland alone. This accentuated the significance of contacts with colleagues from other countries. He continued:

'My predecessor mentioned last year that in 1963 the Netherlands Institute, together with the Dutch Society for University-trained Accountants and the Anglo-Saxon and Scandinavian sister-organizations, joined the Union Européenne des Experts Comptables Economiques et Financiers. The most successful accountants' congress in Scotland in September 1963 was followed by the fifth congress of the U.E.C. in Vienna in September last. Interest in Holland in this congress also was great. Our colleague, Mr Treffers, who was already a Vice-President of the U.E.C., was in Vienna elected President of this European organization. I heartily congratulate him on this distinction.

'When he, as chairman, opened the Accountants' Day in Scheveningen in 1960, he pointed out the significance of the consequences of the Treaty of Rome for the professions and more particularly for the accountancy profession. I may remind you of the provisions of the Treaty of Rome which aim at enabling colleagues from each of the Common Market countries to exercise their profession fully in each of the other Community countries. This is a lofty ideal, especially if regulations are also be to created under which diplomas will be mutually recognized and the rules for the exercise of the profession in each of the countries are co-ordinated, as the Treaty of Rome also prescribes.

'The Institute will be glad to do its part to realize in its field the aims of the Treaty of Rome, the gradual creation of a European accountancy profession. But it requires that this will not be done at the expense of the essentials which the Dutch profession acquired in its own historical development and in its position in the Dutch economic system. Whatever the measure of liberalization, the principle of independence – one of the essential characteristics of the function of the public accountant – must not be lost. An example of the difficulties that may occur can be found in the draft-directives of the Common Market Council of Ministers on the harmonization of certain company law subjects published early this year. Apart from the view expressed in Holland that the harmonization of company law in the Common Market countries was not included as an independent object in the Treaty of Rome, there is the objection that the provisions in these draft directives on the publication of company results refer only to the *Commissaires aux comptes* under French and Belgian law, which prescribes the annual audit of accounts by these *Commissaires*. The independent public accountant as known in Holland, who is not an officer of the company, is not mentioned in the document.'

Mergers among Firms of Accountants

The impact of the Common Market, said the President, was reflected in Dutch trade and industry in, among other things, the phenomenon of numerous mergers, so enabling firms to cope with the requirements of a larger community. He went on:

'It cannot be denied that the merit of these mergers is that our profession thus proves that it is adapting itself to the requirements of trade and industry, as in general it can be said that larger trade and industrial units will also require larger service-rendering units. Other contributory factors are no doubt the new developments in the exercise of the profession and the organizational activities I have referred to, for which offices of some size will offer a more favourable opportunity. Although many a reason is available to supply rational motives for the mergers, it should additionally be borne in mind that the character of the personal exercise of the profession must be preserved. The accountancy profession is indeed a profession that should not be exercised in the form of a business: besides it is a profession, where, in the confidential relationship to the client, the personal element is indispensable.'

Admission to the Register of Accountants

In conclusion, Professor Groeneveld dealt briefly with some events in the Netherlands which were of particular significance for the profession. The main event was the coming into force on December 1st, 1963, of the transitional provisions of the Registered Accountants Act of June 28th, 1962. If this Act, in due course, came into effect completely and thus consolidated a more than seventy-year-old development of the accountancy profession in Holland into one public organization, this would mean that an important service had been done to Government and trade and industry.

In addition it would give the profession itself, while it retained its own possibilities of development, a basis for further national and international expansion. The significance of this was so great that the Institute, in principle, willingly supported the regulation of the profession by law, on which it had repeatedly insisted over very many years. The Institute, nevertheless, clearly saw that to obtain such legal status involved sacrifices, for however great the independence of The Nederlands Instituut van Register-Accountants might be in future, the profession would no doubt – and this was already true when the law itself was enacted – abandon part of its

present autonomy. Important developments were still going on. Following the coming into force of the transitional regulations, committees for admission and of appeal, whose terms of reference were laid down in these regulations, were set up. It was these committees which, as the State Secretary of Economic Affairs said when they were formed in November 1963, are to determine whether the applicant has the professional knowledge required for entry into the register of accountants. The Council and the members of the Netherlands Institute looked forward with great interest to the development and, in due course, the result of the activities of these committees.

The regulation of the future examinations for registered accountants (an examination to be held by the Nederlands Instituut van Register-Accountants under its law) had not yet been published. After it came into effect this order would, together with the rules on the exercise of the profession by registered accountants, on the basis of the transitional regulations promulgated in 1963 by the State Secretary of Economic Affairs, complete the regulations at present required to precede the legal entry into force of the Act.

Book-keeping and Tax Services

Professor Groeneveld went on to say that on the realization of the Registered Accountants Act it was wished to regulate by law the position of those who, mostly using the title of accountant, rendered services in the fields of book-keeping and taxation and did not come up to the standards required for entry into the register of accountants. A committee, under the chairmanship of Professor Drs Brands, set up by the State Secretary of Economic Affairs in November 1962, had been instructed to examine the extent and nature of the needs of medium- and small-sized businesses and social institutions for these services. Its report had meanwhile been published and the committee had concluded that from the business point of view there was no need for functionaries who would form a category of lower level registered accountants.

This was in agreement with the view already expressed by the Council of the Institute that only one level of accountants dealing with auditing was acceptable, namely, at the level that guaranteed the expert knowledge aimed at in the Registered Accountants Act. Two levels of expert knowledge in this field, said the President, would be in conflict with public interest and unacceptable for this reason. If a smaller-sized business required external auditing, lower requirements of expert knowledge for the auditing were also unacceptable.

However, the State Secretary had in the past year instructed a new committee to advise him on the possible content of a statutory regulation in respect of the rendering of book-keeping services by persons who mainly assisted owners of small- and medium-sized businesses in accounting and fiscal matters. The Council of the Institute, said Professor Groeneveld, was following this development closely.

Human Reactions to Government Leadership

Professor Dr E. Zahn, of Amsterdam University and formerly of Czechoslovakia, then addressed the conference on the national economy and Government leadership in the view of its citizens. Economic life, he said, was no longer merely a field of study for economists: it was 'life', something more than a mechanical complex of processes that one should know how to resolve into simple causes. The same economic circumstances could cause entirely different human reactions.

In order to come to a better understanding of the dynamics of economic development it was necessary to look not only at the economy of the nation and of industry but also at that of the family. This shed fresh light upon the general economic situation and also upon people's general attitudes towards public affairs and Government policies. 'The people' were in this context the millions of families with purchasing power which by their economic behaviour exerted great influence upon the economy. The greater the purchasing power and the opportunity for accumulation of wealth, the wider became the scope for individual economic decisions, and so the more relevant did a knowledge of social and psychological phenomena become for the economy. Reliable information on public opinion and on social attitudes and expectations was becoming just as indispensable as economic data about employment, industrial production, the cost of living, imports, exports, etc.

In general references to 'the consumer sector' it was often overlooked, said Professor Zahn, that this sector did not merely consume, but also invested a substantial amount. The shifting of emphasis from 'consumers' to 'investors' reflected, in the consumer sector, the economic emancipation of the individual in the interplay of supply and demand. This was an important aspect of growing prosperity.

Economic Psychology

Manufacturers, said Professor Zahn, had not been slow to discover this fact, and had applied it to certain products and markets, but in a macro-economic respect there was still too little awareness of this situation. Major economic decisions by large groups of people and everything connected with such decisions, the making of plans, the processes by which decisions were reached, expected wage and salary increases, the advancement or deferment of substantial purchases, etc., were of great significance for the business cycle. They comprised one of the fundamental problems of economic psychology, and occupied a central position in sociological investigations.

Nevertheless, the individual citizen knew remarkably little about economics. Concepts such as the business cycle and inflation or a deficit on the balance of payments were not easily grasped by the man in the street. To him the national economy was a closed book, and Government policy was a book with 'seven seals'. There were complaints in every country

about the lack of popular interest in great public issues. Public life, and sometimes economic policy as well, was appreciated only in so far as it had entertainment value, financial scandals attracting more attention than the provisions of the Budget. Yet people still formed opinions about the national economy and Government policies.

Even though the ordinary person had little knowledge of economics and his interest in public affairs was fairly passive, he still had very pronounced views on all kinds of subjects, stated Professor Zahn. These views were not derived from objective consideration of a complicated problem, nor could this be expected. They were thoroughly subjective, reflecting personal needs and interests, and were full of clichés and often of ideas that were one-sided, if not actually false.

Price increases and taxes were usually greatly exaggerated, wage increases were minimized, and if the national budget showed a deficit most people thought that the Government should cut down on expenditure, but on no account increase taxes. If subsidies did not directly benefit a person's own social group, he called them high; if they did, he rated them low.

New survey techniques developed and tested during the fifties (mainly in America, but also in France, Western Germany, Sweden and by the Dutch Institute for Public Opinion, N.I.P.O.) made it possible to study people's economic views and to understand them more fully in the light of social relationships. Certain trends were to be observed: in the case of inflation, for example, the fact that the value of money was constantly decreasing seemed to have become generally realized, but this did not mean that people were taking a pessimistic view of economic developments. There were indications that people adapted themselves to new economic developments, to good times and bad, to good news and bad, that developments became 'absorbed' in their consciousness and found expression in all kinds of peculiar maxims.

Public Confidence

Professor Zahn went on to say that in economic matters it was more important that the public should have confidence than knowledge or expertise, but the provision in popular form of good information on economic affairs helped very considerably to build up and maintain this public confidence. Information on economic and social questions, systematically and popularly presented, was becoming a pressing need in the modern economy, and was an integral part of the social order and of economic democracy.

Opinions and expectations in a community were a matter of trust. In industrial businesses it had long been realized that the creation and maintaining of trust was a task of management not simply fulfilled by providing the utmost information on management problems. One should start from the subjective needs and expectations of human beings.

Public interest in a Government measure was bound up with the question of how each individual was affected. Of those who rejoiced in a reduction of taxation, very few were actuated by economic considerations: the majority were conscious of their personal advantage. After President Kennedy announced the reduction in income tax which was brought into force in March 1964, the Survey Research Centre in Michigan investigated the reaction to the tax reduction. Forty per cent of those questioned admitted they were in better financial circumstances but only one in fifty attributed this to the lower tax. When asked what they had done with the extra money, the majority could not give a concrete answer, many saying it went on daily needs or on nothing special. Only a few said it had been used to make important purchases. There was no change in the family plans for their household investments. There were clear indications that the announcement of the tax reduction and the public discussions had an influence on the optimistic view taken of the general economic situation and gave people a reason for having confidence in the business outlook: but the tax reduction when it actually occurred seemed not to increase or decrease this confidence. Readiness to purchase arose from the advance announcement, from the psychological anticipation, rather than when the purchasing power actually arose from the tax reduction.

From this and other investigations, the speaker concluded that there could not be a categorical distinction between opinions and facts: opinions were facts, though of a different kind. Opinions were facts of consciousness and on special occasions were hard realities. Customs and traditions, demands and needs, hope and fear, submission and reactions were determining factors. Objective and subjective realities worked on each other and made the course of history.

In the ensuing discussion, Professor Dr F. van der Ven, of Tilburg University, said it was all very well to say that decisions should not be based on statistics but how far should decisions be made for economic reasons and how far for social-psychological reasons. He agreed that the wages increases in Holland in 1964 represented a psychological explosion.

Professor Dr Zijlstra, formerly Finance Minister and now of Amsterdam Free University, recognized that there was a world of business economics and a world of irrationality and consciousness. He said that it was no simple task to strengthen public confidence by giving information. As a Minister he had found that his words in Parliament were taken no notice of by groups so engrossed in their own ideas and demands that they suffered from a narrowing of consciousness. He thought that inflation and optimism go together.

In the afternoon session, Professor Dr H. A. J. F. Misset, of the University of Amsterdam and a young member of the Netherlands Institute of Accountants, gave an address exploring how economic theories of the behaviour of producers could have significance for the auditor. Can one begin the audit by ascertain-

ing, perhaps from the budgets, what the undertaking is endeavouring to achieve? And then go on to discover how far the policy has achieved the intended results, simulating with a computer the aims of the management and analysing the differences between the intention and the reality, the variances between the budget and the results achieved? This address was discussed by two senior members of the Netherlands Institute, Professor van Rietschoten and Mr Veringa.

Conference Dinner

At the conference dinner, the President, Professor G. L. Groeneveld, welcomed the visitors and the members of the Netherlands Institute and their ladies and expressed appreciation of the work of the Ladies Committee. Professor J. Nathans thanked the speakers at the conference.

Returning thanks for all the foreign guests, Herr K. A. Ziegler, the President of the Austrian Kammer der Wirtschaftstreuhänder and a Vice-President of the U.E.C., spoke of the high professional standing of their hosts and recalled that at Vienna a Dutch accountant, Mr H. C. Treffers, had been elected President of the U.E.C.

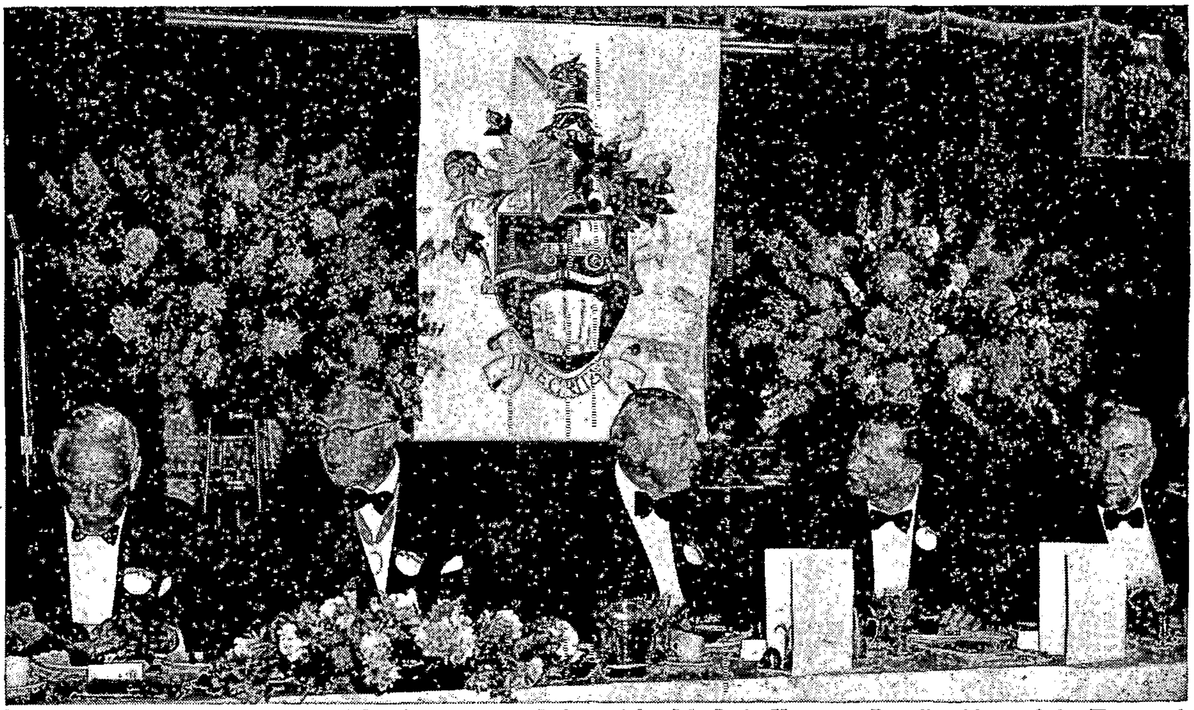
On the following day the visitors were taken by their Dutch colleagues in a new Rotterdam harbour steamer to the Haringvliet to see the progress that had been made in the Delta Works sealing off the Dutch coast and inlets from the inroads of the sea. They saw the seventeen gigantic sluices erected on a temporary island in the Haringvliet. Through the sluice doors water and ice of the Rhine and other rivers will, in a few years' time, be passed out to the North Sea: though with equal care special ways in have been contrived so that young elvers can pass in from the South Atlantic breeding-places to live and grow to be eels in the rivers of Western Europe.

TRANSVAAL SOCIETY'S DIAMOND JUBILEE

THE Transvaal Society of Accountants, which now has 2,324 members, this year celebrates its Diamond Jubilee. The Society was incorporated in 1904 by a Transvaal Ordinance authenticated by the Lieutenant-Governor at Pretoria on August 13th, and assented to by Lord Milner, Governor, at Bloemfontein in the Orange River Colony on August 15th, 1904.

The recent celebrations have included luncheons, a banquet (at which some personalities are shown in the photograph below), and a Grand Diamond Jubilee Ball which was held last week. In addition, a Diamond Jubilee Summer School is to take place from January 31st to February 4th next.

Congratulations to the Society on its notable anniversary.



Some personalities at the Diamond Jubilee Banquet. *Left to right:* Mr J. A. Young, a Past President of the Transvaal Society; Mr S. P. Dench, Chairman, South African Division, Chartered Institute of Secretaries; Mr A. A. von Maltitz, Vice-President, Transvaal and Orange Free State Chamber of Mines; Mr J. J. Vermooten, Vice-President of the Transvaal Society; The Hon. F. H. Odendaal, Administrator of the Transvaal.

MR GERARD DE RAUVILLE (*right*) a fifth year student of accountancy at the University of Natal in Durban, writes his Final examination for entry to the profession while afflicted by blindness. Some six months before the examination, Mr de Rauville found that his sight was gradually fading and by the time the Final had to be taken he was incapable of reading the examination scripts and writing the answers.

Mr Palmer Strachan, C.A.(S.A.), Secretary of the Natal Society of Accountants and senior partner in a Durban firm, heard of his predicament and offered to act as invigilator. He is seen here reading the questions to Mr de Rauville, who then dictated the answers to Mr Strachan's private secretary, Mrs Molly Twine.

Mr de Rauville spent two months in hospital just before the examination, and he had to be brought from his bed to take the papers. Apart from dictating his replies, indicating where he wanted figures put and lines drawn, he performed almost prodigious feats of memory, doing all the necessary casts in his head. The recent news of his success in the chartered accountants' examination is thus a fitting tribute to his courage and determination.

After the examination Mr de Rauville went to Barcelona to consult a famous Spanish eye specialist, and he has been assured that sight will be fully restored in one eye. The Head of the Department of Accounting at Natal University, Professor Walter Fairbairn, C.A.(S.A.), F.S.A.A., has expressed his keen delight not only at Mr de Rauville's academic success, but also at the promised improvement in his sight.

UNITED STATES

American Institute's New President

MR THOMAS D. FLYNN, C.P.A., a partner in the firm of Arthur Young & Co, of New York, was elected President of the American Institute of Certified Public Accountants at the seventy-seventh annual meeting of the Institute, held last month at Miami Beach, Florida.

A former Vice-President of the Institute and for three years its treasurer, Mr Flynn has been a member of the governing Council since 1957, and for five years served on the executive committee. He has also been chairman or a member of several other Institute committees. A former Vice-President of the American Accounting Association, Mr Flynn has also been an active committee member of the New York State Society of Certified Public Accountants.

An economic graduate of Princeton University, he holds a master's degree in accounting from Columbia University. Prior to joining his present firm in 1940, Mr Flynn served with the United States Senate Committee on Interstate Commerce and with the Federal Trade Commission.

Addressing the meeting, which had as its theme 'The accounting profession in a changing world', Mr Flynn said that in ten years' time the number of certified public accountants would total 140,000 – an increase of 60,000 on the present membership. The functions of auditing, tax practice, and management advisory services would expand considerably, and with regard to electronic data processing information systems he added that 'twenty years from now it may be commonplace for certified public accountants to assume responsibility for the adequacy of information systems under standards comparable to those which exist today for the audit of financial statements'.

Weekly Notes

INSTITUTE'S INTERMEDIATE EXAMINATION

THE first Intermediate examination under the new syllabus of The Institute of Chartered Accountants in England and Wales was held last September and the results are now announced. Of the 2,751 candidates who sat, 1,433 (52 per cent) passed, and the names of these successful candidates appear on other pages of this issue.

The First Certificate of Merit, the Institute Prize, the Stephens Prize and the Plender Prize for the paper on Book-keeping and Accounts II (equal with one other) were won by Mr Terence John Waggott, of Liverpool. The Second Certificate of Merit, the Tom Walton Prize, the Frederick Whinney Prize and the Plender Prizes for the papers on Book-keeping and Accounts I and Book-keeping and Accounts II (each equal with one other) were won by Mr Stephen Robert Ogle, of London, and the Third Certificate of Merit and the Plender Prize for the General Paper were won by Mr Christopher John Rutton May, also of London.

In all, certificates of merit were awarded to thirty-six candidates. Of these, twenty candidates were from London, the others being from Birmingham, Bristol (two), Bury St Edmunds, Doncaster, Leeds, Leicester, Liverpool, New Malden, Northampton, Sheffield (two), Stoke-on-Trent, Wolverhampton, Worcester and York.

SCOTTISH INSTITUTE'S PRIZE GIVING

AT a special general meeting of The Institute of Chartered Accountants of Scotland held on November 20th (referred to elsewhere in this issue) examination awards and prizes were presented to the successful candidates at the Spring examinations of the Institute. The principal prize-winners are referred to below:

Mr T. A. Lee, of Edinburgh, was awarded the Institute's Gold Medal for the most meritorious performance over Parts IV and V. The Institute's Prize for the most meritorious performance in Part V of the examination was awarded to Mr L. L. McAllister, of Aberdeen, and the John Munn Ross Prize in respect of Paper I of Part V was awarded jointly to Mr A. R. Hamilton, of Glasgow, and, in absentia, to Mr T. C. Morrisson, also of Glasgow.

The Guthrie Prize for the successful woman candidate whose performance in Part V was the most meritorious was awarded to Miss Anne M. Strang, of Edinburgh. In Part IV of the Institute's examination, the Albert J. Watson Prize awarded in two parts to the two candidates whose performances were the most meritorious, was awarded to Mr W. T. Whyte, of Glasgow, and Mr D. P. McLean, also of Glasgow.

BANK RATE CHANGE

NEITHER the decision to raise the Bank rate nor the extent of the increase – from 5 per cent to 7 per cent – is a matter for surprise. The sudden spate of adverse comment regarding the future of sterling, in particular the reference in the commentary of the authoritative *London and Cambridge Economic Bulletin* as well as Dr Gunnar Myrdal's open recommendation to devaluation, merely accelerated the now overdue decision for its increase.

Had it not been for the timing of the United States Presidential Election it is probable the Bank rate would already have been raised before this. The fact that the increase did not follow the traditional Thursday morning Court meeting of the Bank of England but came after the week-end review of the economic situation by the Prime Minister and his

TRIBUTE TO A NONAGENARIAN

TODAY I think the world will doff its caps
To a brave man of ninety; and cigars
Will taste the sweeter. All who paint, or write
Or speak, will feel a special spur. And quite
Ordinary blokes, at home, in public bars,
Erect, will drink proud private toasts – perhaps
Talk of the chicken's neck no foe could wring,
Or gaze into the fire, remembering.
So if in after years some meaner pen,
To bleed for gold, shall jab with nib of lies
His reputation – tell your children that
He roused and led while tyrants drove and spat;
Say 'here was greatness walking among men
With a most human twinkle in its eyes'.

We proudly reproduce this tribute to one of the great men of British history – Sir Winston Churchill – who on Monday celebrates his ninetieth birthday. The sonnet has been appropriately adapted by the author from the original which appeared in our issue of November 27th, 1954, in our feature of that time, 'Days from my Diary', by A Martyred Accountant, whom we are now permitted to identify as Mr J. C. Peirson, F.C.A., a partner in the firm of Evans, Peirson & Co, Chartered Accountants, of London.

senior ministers at Chequers, serves only to underline the urgency of the economic situation.

It is common knowledge that the strain on sterling has been already sufficient to impose a serious potential loss from the recent borrowing from the International Monetary Fund.

The main question now is whether the time gained by this measure will be used wisely in order to strengthen the economy. It is imperative that overseas opinion retains such confidence as it may still possess in the future value of sterling. This can only be done if the Government impresses foreign opinion by further effective measures aimed at stimulating both labour productivity and exports.

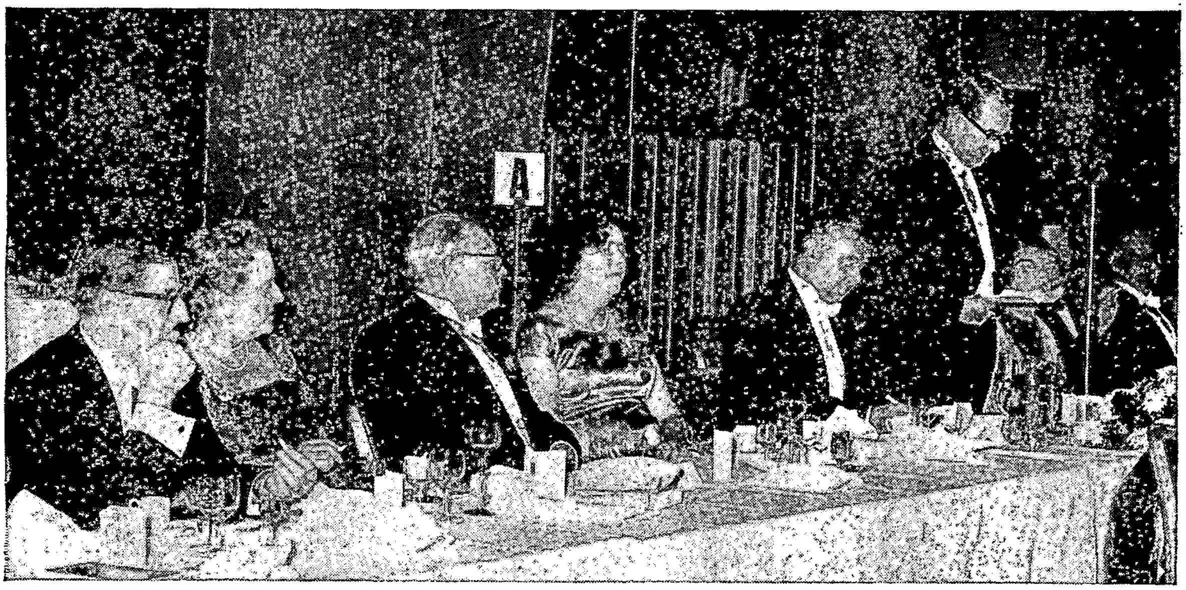
COST OF STANDING TIMBER ALLOWED

AN appeal by the Inland Revenue against a decision of the Special Commissioners was dismissed last week by Mr Justice Buckley. A company had appealed against assessments made on it for the years 1952–53 to 1959–60 on the grounds that the Revenue had treated as capital expenditure a sum paid by the company for some standing timber. The company claimed that the payment was made for the acquisition of stock-in-trade: the Revenue argued that the payment was a capital payment for the acquisition of a source from which to replenish its stock. The Special Commissioners found for the company, and the learned judge held (according to *The Financial Times* of November 20th) that there was no evidence that they had misdirected themselves.

This case is of particular interest in view of the decision in *McClellan, Rawson & Co Ltd v. Newall* (34 A.T.C. 160), where a company of timber merchants had bought some woodlands in the course of its trade but had immediately sold them again. It was held that the profit on resale was a capital profit, notwithstanding a finding of the Appeal Commissioners to the contrary. Of course this does not mean that the two decisions are incompatible. As always in income tax, everything depends on the precise facts.

THE NATIONAL INSURANCE BILL

LAST week saw the publication of the National Insurance etc. Bill, whose main object is to implement the Chancellor's promise of higher National Insurance benefits, together with higher contributions by both employers and employed. The main provisions of the Bill are summarized in a White Paper (Cmnd 2518) and the financial provisions are explained in greater detail in the Government Actuary's Report (Cmnd 2517), although there is a financial memorandum accompanying the Bill. The Bill is a long one, it has twenty-nine pages, and is extremely complicated. Apart from its principal objects, it contains in Schedule 6 minor amendments to the National Insurance Acts, the National Insurance (Industrial Injuries) Acts, and the Family Allowances Acts. These are made with a view to avoiding or removing minor doubts, anomalies and differences and minor complications in administration. The further object is to facilitate the effective consolidation of these Acts. Another object of the Bill is



The Association of Certified and Corporate Accountants held their annual dinner and dance at Grosvenor House, Park Lane, London, last Monday. Our picture shows the President, Mr Reginald Statham, C.B.E., J.P., F.A.C.C.A., proposing the toast of 'The Guests', to which the Rt Hon. J. A. Boyd-Carpenter, M.P. (*on the President's right*) replied. Others in the picture are (*left to right*): Mr V. R. Chennell, F.A.C.C.A., Immediate Past President of the Association; the Viscountess and Viscount Brentford; Mrs Boyd-Carpenter; (*on the President's left*): Mrs Statham; The Viscount Colville of Culross; and Mr G. L. Barker, Vice-President of the Association.

to improve the allowances payable out of the Industrial Injuries Fund in respect of incapacities arising out of pre-1948 employment. As already announced, the earnings rule for widowed mother's allowance and widow's pension is to be abolished. The maternity grant is to be increased and the home confinement grant abolished.

THAT AFTERNOON OFF FOR GOLF

SPEAKING at the recent annual dinner of the Midland Branch of the Institute of Directors in Birmingham, Sir Halford Reddish, F.C.A., chairman and managing director of the Rugby Portland Cement Co Ltd, said that never in peace-time had there been a greater call for clear thinking and inspiring leadership. A great responsibility rested on the shoulders of the leaders and particularly the executive directors of industrial companies.

He added that much depended on these leaders if 'we are to halt the Gadarene rush to the precipice which seems to be our national choice at the moment – there is far too much talk of leisure and far too little of work'. In fact, he declared, the director who takes the afternoon off to play golf 'just because he regards himself as the boss' is hardly indistinguishable from the thief who helps himself to the petty cash.

This is My Life . . .

by An Industrious Accountant

CHAPTER 252

OLD B.J., one of the accounts department middle-management team, is retiring today, the sixty-fifth birthday being the 'cut-off' point for office staff. He's just been into my office for a few farewell words.

It's a good many years since I first met B.J., and plenty of water has flowed under the bridge since our first encounter. Considerably older now, he's thinner, balder, more stooped; then he was the senior ledger-clerk in charge of our more valuable credit accounts. He wasn't exactly in charge of the other sections, but they tended to defer to his age, experience and local importance. He was pompous and influential; and he didn't like any young qualified accountant appointed over his head as company secretary, especially when the newcomer was from the City. Outlanders, to use the contemporary term, were suspect in our town in those days.

B.J. deliberately sabotaged my early efforts to improve the office procedures which I found to be slow, cumbersome and not always accurate. He disliked being hustled. His wonted tempo, costly though it might be, was good enough for him. By inertia, lack of co-operation and sly disparagement difficult to pin down, he gummed up the works regularly and his subordinates followed his lead.

One Monday morning I felt particularly frustrated as an accounts meeting dispersed, having got nowhere after an hour's argument. I left my office suddenly. In the corridor B.J. was laughing with his cronies. A remark about 'showing that smart-alec London so-and-so where he gets off' hung in the air as they moved off. I only just heard it, half-identified, half-comprehended for a moment; it hit me rather hard to appreciate B.J.'s opinion of me.

The rebuff was in my mind as I sifted through the mid-day post – letters, remittances, invoices. There was a cheque from Lady M., a thick-skinned and wealthy customer; the attached statement showed that she'd been allowed 5 per cent discount on her previous payment – on an account some six months old. B.J.'s account . . . strictly net after one month.

He was rather ruffled as we discussed the matter later. Yes, she'd always insisted on her 5 per cent. Yes, he knew it was against the rules, but . . . well, she said she'd close her account if he refused it. No, he never gave anyone else that concession . . . well, hardly ever . . . well, it was a difficult situation.

The following morning I watched our customers' statements carefully. Unfortunately for B.J. there were two examples of over-long credits in his section, so I went out to tell him about them. I was surprised and expostulatory; he was argumentative and defensive, but rather disconcerted by the stinging realization that ears were pricked up at the surrounding desks. An example that afternoon of an allowance for returns he'd given without having the goods certified earned him a baleful stare and some gruelling questions from me, before his typist, about the importance in his eyes of company regulations and staff responsibilities. A credit controller is always vulnerable to harsh judgement. If he doesn't press for payment he's too lenient; if touchy customers close their accounts he's too strict.

On Wednesday morning B.J. blanched visibly when he saw me coming with another lethal *billet doux*. His colleagues were openly watching him now; they knew he was on the spot. He'd been overworked, he said; he must have slipped up. I said coldly I'd give him an efficient assistant at once if he couldn't cope with the work; we couldn't tolerate this sort of thing any longer.

Thursday morning his wife telephoned to say he wouldn't be in; he wasn't well; he hadn't slept all night. She sounded upset. I said not to worry; we were carrying on fine without him, just fine. As I put down the phone I could have cursed myself . . . tactless, vindictive, insensitive . . . if I'd had the skill and sense to save his face in the first place this needn't have happened. I rang back, rather ashamed. . . .

Well, we've been friends since and have learned to understand one another better. I'm genuinely sorry that he's going from us . . . and think that he is, too.

Finance and Commerce

J. Coral

THE accounts of J. Coral Ltd, the book-makers, from which this week's reprint is taken, are the first to be presented since the marketing of the company's shares. Comparative figures, it will be seen, are for a previous six months' period and it is in the extremely wide variations in half-year results that the main interest in the accounts lies.

The company, in fact, would seem to have a very strong case against the issue of half-year figures since they can clearly mean little in terms of likely full-year earnings. The chairman, Mr Joe Coral, explains, in his statement with the accounts, that on the horse and greyhound racing side of the business, interim accounts for the six months to December 31st, 1963, showed a net profit, before tax, of £72,085. The full year, however, revealed that the profit contribution from this side of the business amounted to £213,824.

On the fixed-odds football side, the situation was the reverse. Half-year profits amounted to £176,028 but the full-year profit was down to £87,355. 'Football results in the second half of the year', Mr Coral says, 'went very much according to form and thereby favoured the client, leading to the sharp reduction in profits.'

On the greyhound racing side, incidentally, some attempts by clients to favour themselves are reflected in Note 3 to the accounts.

Fixed Odds

It is fixed-odds football that is giving the company its biggest present problem. Under the April Budget, a fixed-odds duty of 25 per cent was levied on the gross weekly stakes invested. The level of duty is not affected by the pool promoters' losses or wins and the duty has been operating since the present football season began.

Mr Coral says that 'although economies in expenses have been achieved to counteract the fall in turnover, together with an adjustment in the odds offered to the client towards providing the duty, it is apparent, even after these few weeks, that fixed-odds football in its present form cannot continue to operate profitably, and the warning given to the Chancellor that he would not reap the benefit he expected is already a fact'.

Doubts on the profitability of fixed-odds football meant the restriction of the dividend to 50 per cent, although profits were ahead of the prospectus forecast of £250,000. Mr Coral says that 'while the duty continues it is not possible to anticipate the contribution to the group profit for the current year'.

Vandervell

THE first public accounts of Vandervell Products Ltd, makers of bearings for the motor industry – the Vanwall Grand Prix racing car is still employed as a 'test bed' for new developments – show a major change in depreciation policy. In the accounts to

J. CORAL LIMITED *and Subsidiaries*

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30th JUNE, 1964

				1.1.63 to 30.6.63
TRADING PROFIT after charging the following:		£301,160	*£40,636*	
Directors' Remuneration	25,000			*17,859*
Auditors' Remuneration	1,050			*525*
Depreciation and Amortisation	19,475			*19,513*
TAXATION:				
Income Tax based on the Profits for the year	118,601			*13,070*
Profits Tax	40,160	158,761	*25,971*	*12,900*
NET PROFIT AFTER TAXATION		142,399	*14,665*	
BALANCE BROUGHT FORWARD AT 1ST JULY, 1963, BY:				
Subsidiary Companies		9,765	—	
		152,164	*14,665*	
APPROPRIATIONS:				
Proposed Dividend of 50 per cent less Income Tax	53,594			*4,900*
Company Flotation Expenditure	38,232			—
Applied towards capitalisation issue (See Note 2)	16,429			—
Taxation Equalisation Reserve	5,500	113,755	*4,900*	—
BALANCE CARRIED FORWARD AT 30TH JUNE, 1964, BY:				
Holding Company	36,276			—
Subsidiary Companies	2,133	£38,409	*£9,765*	*9,765*

The Notes on page [681] form part of these Accounts

J. CORAL LIMITED *and Subsidiaries*
GROUP BALANCE SHEET AT 30th JUNE, 1964

			30.6.63
ISSUED SHARE CAPITAL OF J. CORAL LIMITED		£175,000	£32,237
SHARE PREMIUM ACCOUNT (See Note 2)		—	126,331
CAPITAL RESERVE		625	625
REVENUE RESERVES			
Taxation Equalisation Reserve	9,500		4,000
Unappropriated Profit	38,409		9,765
		47,909	
		223,534	172,958
FUTURE INCOME TAX		118,650	26,500
CURRENT LIABILITIES			
Sundry Creditors and Accrued Expenses	112,545		81,054
Current Taxation	70,813		73,741
Bank Overdraft	—		13,203
Proposed Dividend (less Income Tax)	53,594		4,900
		236,952	
		£579,136	£372,356

JOSEPH CORAL }
NICHOLAS CORAL } *Directors.*

The Notes on page [681] form part of these Accounts

	COST	AMOUNTS WRITTEN OFF		30.6.63
FIXED ASSETS				
Goodwill	49,181	—	49,181	£37,506
Freehold Property	53,470	—	53,470	34,756
Leasehold Premises	47,886	7,511	40,375	14,307
Office and Shop Fixtures, Fittings and Equipment	164,906	42,325	122,581	99,959
Motor Vehicles	10,099	3,981	6,118	7,380
	£325,542	£53,817	271,725	193,908
CURRENT ASSETS				
Amounts due from Clients		45,178		45,022
Sundry Debtors and Prepayments		30,275		24,627
Quoted Investments (Market Value £4,562)		4,735		—
Deposit at Building Society		5,000		—
Loans to Local Authorities		105,000		75,000
Cash at Bank and in Hand		117,223		33,799
			307,411	
			£579,136	£372,356

March 31st, 1964, the depreciation figure is £219,194, whereas in the previous accounts the figure was £237,020 plus £200,500 for 'additional depreciation transferred to plant replacement reserve'; the end-product being a rise from £1,585,471 to £1,810,048 in pre-tax profits although operating profit plus dividend income was less than £11,000 up on 1962–63.

'The basis of calculating depreciation of plant and machinery and furniture, fixtures and fittings', a note to the accounts states, 'has been changed from that used in the previous year when fixed rates of depreciation were used. If, as has happened in recent years, the depreciation so calculated was in excess of the amount required to reduce the relevant assets to a nominal value of £1, the excess depreciation was transferred to a plant replacement reserve as additional depreciation.'

The method used in the latest accounts, which will be followed in future years, is to calculate depreciation on the basis of the income tax annual allowances (ignoring investment and initial allowances). The new basis results in the combined depreciation charge being £234,259 less than would have been the case had the change not been made.

Allocating Overheads

A CHANGE in the basis of allocating overheads to work in progress is noted in the latest accounts of Horseley Bridge & Thomas Piggot Ltd, the operating parent company of an industrial and constructional engineering group. In previous years only a proportion of general and administration overheads was taken into account and that tended to accentuate profit fluctuations.

It is considered more appropriate to take account of all overheads, with the exception of those relating to selling. The new basis will continue to be used in future years but the chairman, Mr John V. Sheffield, emphasizes there has been no change in the policy of not taking any profit in respect of uncompleted contracts. In subsidiaries, the cost of work in progress includes 'an appropriate proportion of production expenses'.

In the latest accounts, 'work in progress at cost to date of uncompleted contracts but after making adequate provision for anticipated losses' is shown at £2,440,718 for the parent and £2,901,738 for the group. There is deducted £1,306,103 (group £1,808,737) for 'amounts invoiced on account on which no profit has been taken' and added £58,963 (group £91,121) for 'stores and materials at the lower of cost and net realizable value', to give a residual of £1,193,578 in the parent accounts and £1,184,122 in the group.

The change in overheads allocation resulted in the parent company's trading profits being increased by £136,351. Group trading profits, however, were down from £293,812 to £251,426 with the dividend raised from the equivalent of 6¼ to 7 per cent in view of 'present encouraging prospects'.

J. CORAL LIMITED

BALANCE SHEET AT 30th JUNE, 1964

			30.6.63
SHARE CAPITAL			
Authorised			
5,000,000, Ordinary Shares of 1/- each		£250,000	*£32,240*
Issued			
3,500,000 Ordinary Shares of 1/- each, fully paid		175,000	*32,237*
SHARE PREMIUM ACCOUNT (See Note 2)		—	*126,331*
UNAPPROPRIATED PROFIT		36,276	—
		211,276	*158,568*
CURRENT LIABILITIES			
Sundry Creditors and Accrued Expenses	1,558		*457*
Proposed Dividend (less Income Tax)	53,594	55,152	*4,900*
The Notes [below] form part of these Accounts		£266,428	*£163,925*

			30.6.63
INVESTMENTS IN SUBSIDIARY COMPANIES			
Shares At Cost	£158,566		*£158,566*
Amounts due by Subsidiary Companies	107,142	265,708	*4,900*
CURRENT ASSETS			
Sundry Debtors	185		*459*
Cash at Bank	535	720	—
		£266,428	*£163,925*

JOSEPH CORAL
NICHOLAS CORAL } *Directors*

NOTES

1. Capital Commitments at 30th June, 1964, are estimated at £7,000.
2. The Company made a capitalisation issue of £142,760 on March 3rd, 1964. This appropriation was dealt with by a transfer of £126,331 from the Share Premium Account and a transfer of £16,429 from the Profit and Loss Account.
3. No provision has been made in respect of certain claims made against the Group in connection with bets laid on a race run at Dagenham Greyhound Stadium on 30th June, 1964, since they are not being admitted by the Group.

CITY NOTES

BANK rate at 7 per cent first thing on Monday morning was only really a shock to the City because it was Monday morning. The loss of continental confidence in sterling had been building up so strongly that a Bank rate rise had become inevitable.

Bank rate itself did not shock the City. What did was the apparent lack of appreciation within the Government as to precisely why sterling was under pressure. The Continent was riled by the 15 per cent import duty surcharge and did not consider the November Budget as the correct fiscal action to be taken in the context of the balance of payments problem.

As a result, confidence ebbed strongly in the foreign exchange market just as it had ebbed in the stockmarket for the same and added reasons. The City is not necessarily disturbed by the new Government's actions and intentions but at the apparent assumption that the factor of confidence does not count.

The question now is whether the time bought by 7 per cent Bank rate can be used to advantage and whether its effect can be prevented from holding back growth at home while it holds back anti-sterling speculation abroad. The answer lies in the extent to which lost confidence can be restored and in that sphere a gesture by the Chancellor in allaying corporation and gains tax doubts would go a long way.

Meanwhile the stock-market remains a suspect and uncertain place.

RATES AND PRICES

Closing prices, Wednesday, November 25th, 1964

Tax Reserve Certificates: interest rate 19.3.64 2¾%

Bank Rate

Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%
Mar. 22, 1962	5%	Nov. 23, 1964	7%

Treasury Bills

Sept. 18	£4 13s 0·70d%	Oct. 23	£4 14s 5·44d%
Sept. 25	£4 13s 0·80d%	Oct. 30	£4 13s 11·61d%
Oct. 2	£4 13s 0·44d%	Nov. 6	£4 13s 5·09%
Oct. 9	£4 13s 0·96d%	Nov. 13	£4 13s 3·71d%
Oct. 16	£4 14s 0·69d%	Nov. 20	£4 14s 8·31d%

Money Rates

Day to day	5⅜–6¼%	*Bank Bills*	
7 days	5¼–6⅛%	2 months	6 13/16–6⅞%
Fine Trade Bills		3 months	6 13/16–6⅞%
3 months	7¾–8%	4 months	6 13/16–6⅞%
4 months	7¾–8%	6 months	6 13/16–6⅞%
6 months	8–8¾%		

Foreign Exchanges

New York	2·78⅝	Frankfurt	11·07½
Montreal	2·98⅞	Milan	1740¾
Amsterdam	10·00⅞	Oslo	19·95½
Brussels	138·24½	Paris	13·65⅛
Copenhagen	19·29⅝	Zürich	12·02⅛

Gilt-edged

Consols 4%	63⅝	Funding 3% 59–69	89
Consols 2½%	40¼	Savings 3% 60–70	85
Conversion 6% 1972	102¾	Savings 3% 65–75	76
Conversion 5¼% 1974	93¾	Savings 2½% 64–67	91½
Conversion 5% 1971	96⅛	Treas'ry 5½% 2008–12	88¾
Conversion 3½% 1969	89 15/16	Treasury 5% 86–89	84½
Conversion 3½%	55⅜	Treasury 3½% 77–80	73½
Funding 5½% 82–84	94	Treasury 3½% 79–81	73½
Funding 4% 60–90	91	Treasury 2½%	39¾
Funding 3½% 99–04	62⅝	Victory 4%	96¼
Funding 3% 66–68	89 3/16	War Loan 3½%	55

Correspondence

The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Accountancy Apartheid

SIR, – I was very interested in the remarks of one of the principal guests at the recent annual dinner of the Ipswich and Colchester Branch of the East Anglian Society of the Institute. According to your report (page 657 of your November 21st issue) Mr H. D. B. Wood, the Chairman of the Eastern Electricity Board, in his toast to the Branch confessed 'that he found confusing the existence of two classes of members, those designated "chartered accountants" and those designated "incorporated accountants"' and he suggested 'that the public image of the Institute would be improved if this difference could be removed'.

Mr Wood is not the only one who suffers from confusion by this distinction. There must be thousands like him. Among them are numbered hundreds of employers who no longer invite applications for accountancy posts from incorporated accountants – since to all intents and purposes they have ceased to exist – but ask for chartered accountants or members of other accountancy bodies. How can an incorporated accountant explain that although he is a member of the Institute he is not a chartered accountant? To the employer, to members of the public and to the world at large it does not make sense. I suspect it no longer makes sense to many members of the Institute either!

When the Society and the Institute agreed on 'integration' some years ago, many of us who were incorporated accountants although disliking the distinction in membership, since it was a partial negation of the meaning of integration, accepted it as a short-term expedient to the unification of the leading accountancy bodies. But true unification will never be achieved until all members of the Institute have equal rights and status. The net result of the integration scheme has been virtually to eliminate large numbers of qualified incorporated accountants from recognition as accountants at all, at least as far as employers and public are concerned. Mr Wood's remarks are eloquent enough support for this view.

Surely the time has arrived to end this accountancy 'apartheid' in the country's premier body of accountants. I am convinced that if only the Council of the Institute and the rank and file members will just ponder the anomalies of the present position, some of the rather theoretical objections to the removal of the distinction will seem small by comparison to the advantages to be gained.

It will not, I am sure, have escaped the attention of your readers that neither Mr F. S. Grindrod, the Chairman of the Ipswich and Colchester Branch, who presided at the dinner, nor a principal guest, Mr A. J. Barnard, President of the East Anglian Society, who replied to the toast proposed by Mr Wood, was a chartered accountant! Both were members of the Institute's ghetto to which all incorporated accountants have been confined but from which, given common sense and goodwill on the part of the general body of our fellow members, we hope soon to emerge.

Can we look forward to the Institute Council itself re-thinking its attitude to this question and giving a positive and constructive lead, not only to improve the Institute's public image, but also to substitute true integration for the present coexistence?

Yours faithfully,

Birmingham. G. SUGDEN, F.S.A.A.

Accounting Heresy

SIR, – Whilst agreeing the need for further information required to augment the annual audited accounts together with a statement of values, as discussed in the article 'Accounting Heresy' in your issue of November 14th, I sincerely hope that the old historical costs/balancing accounts system showing the results to date assessed under known conventions is retained. The translation of actual results from profit to loss and vice versa in the reversal of financial accounting convention, although useful ammunition in take-over battles and providing 'the hidden truth' in speculating on the future worth of a business, is useless in everyday use. Bankruptcy would be the aim of every tycoon who unfortunately up to now has made expanding profits!

I would like to point out that the example given is misleading. Apparently the industrialist on a 10 per cent net profit Government risk contract is worse off than someone with a 6 per cent interest-bearing security, in that he suffers 1·6 per cent depletion of assets. First, the interest of 6 per cent is itself subject to the 'cost of inflation'. Secondly, it is misleading to quote interest as a charge, better to quote the net return on a 'free' capital and compare this with a fair rate of return (say, 6 per cent). This would show, as is correct, an accretion in the assets of the concern of 2·1 per cent after cost of inflation before distributions compared with 0·95 per cent on a $7\frac{1}{2}$ per cent non-risk contract. These figures compare with capital invested in a 6 per cent security, with the same circumstances as the example in the article, producing:

	per cent
Interest	6
Income tax	2·325
	3·675
Cost of inflation	2·5
	1·175

Yours sincerely,

Bexleyheath, Kent. K. J. NEWING.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

SPECIAL GENERAL MEETING

Joint Diploma Scheme Approved

A special general meeting of members of The Institute of Chartered Accountants of Scotland was held at Chartered Accountants' Hall, 218 St Vincent Street, Glasgow, on Friday, November 20th. Mr J. W. Dallachy, M.A., C.A., President of the Institute, was in the chair.

Two hundred and eight new members were admitted to the Institute and the President presented awards and prizes to successful candidates in the examinations held during the year.

PRESIDENT'S ADDRESS

In the course of his report on the salient features of the activities of the Institute since the annual general meeting in March the President said:

'I would begin by referring to the very great loss which the Institute has sustained by the death, on August 31st, of Sir John Somerville. Sir John served the profession in many capacities over a long period of years and the distinguished way in which he presided over the memorable centenary celebrations of the Institute held in Edinburgh in 1954 and in Glasgow in 1955 will long be remembered. We shall all miss his friendship and wise counsel.

Mr J. W. Dallachy

I want to express our deep regret of the death a few days ago of Mr Robert J. Scott who was a member of the Council until last March when he retired owing to ill health.

'I would acknowledge the generosity of the late Mr C. J. Weir, C.A., who bequeathed to the Institute the sum of £1,000 for a prize fund. In addition, Mr Weir left a legacy of £1,000 to the Scottish Chartered Accountants' Benevolent Association.

'I am sure that we would all wish to offer our congratulations and best wishes to Mr David Flint, C.A., on his appointment as Professor of Accountancy at Glasgow University in succession to Mr Robert Browning.

'The Council attaches considerable importance to the maintenance of contacts with our opposite numbers on the Continent and it was therefore very gratifying to know that Mr Alexander McKellar has been elected to the Executive Committee of U.E.C. (Union Européenne des Experts Comptables Economiques et Financiers).

'The Fifth Congress of U.E.C. was held in Vienna at the beginning of September when many of our members attended. The detailed arrangements and the social programme were the responsibility of our Austrian colleagues, the Kammer der Wirtschaftstreuhänder, and I am sure that I speak for all the Scottish contingent when I say that the organizers are due our congratulations for the excellent way in which they handled the arrangements.

'Our relations with bodies representing other professions continue to provide matters for discussion and negotiation, usually, I am glad to say, with fruitful results. As an instance, I would refer to the subject of solicitors' accounts in Scotland. In this connection you may be aware that the Solicitors (Scotland) Accountants' Certificate Rules, 1964, have now been made and came into operation on November 1st, 1964. Under these rules every solicitor practising in Scotland will normally produce annually to the Law Society of Scotland a certificate by a practising accountant. I am sure that the arrangements for the operation of these rules are satisfactory from the point of view of the accountancy profession but to some extent the fact that this is so is due to discussion between ourselves and the Law Society of Scotland which led to the removal from the original proposals of certain less desirable features.

'Whilst on the subject of solicitors' accounts, I would refer to the decision of the House of Lords in *Brown v. C.I.R.* earlier this year. In this case the House of Lords decided that where a solicitor received interest in respect of clients' money placed on deposit which was not allocated to, or earmarked for, any particular client, the interest did not become the property of the solicitor. The decision may create difficulties not only for accountants who are asked to give accountants' certificates in relation to solicitors' accounts, but also for accountants who themselves receive interest on clients' money in circumstances where the interest cannot be allocated among the clients. The questions arising are receiving consideration and the matter is, indeed, on the agenda for the Council's meeting this afternoon. I do not propose, therefore, to say more about the topic at this stage.

'A few months ago members in practice in Scotland were asked to complete anonymously a short questionnaire dealing with professional incomes. The response was no more than moderately good and there is no means of knowing who replied and who did not. I would like to say now "thank you" to those who did. I hope that those who did not will do better when they next have the opportunity. The answers are being studied by the Institute's Professional Charges Committee and it seems likely that in due course a further circular on the subject of fees will be issued. Meanwhile, I would only say that the replies suggest that

the Institute's circular on fees which was issued in 1962 has not been without value.

'The Special Committee on Education and Training under the chairmanship of Mr George Dewar is very active, and every member of the Institute has been invited to let the committee have any comments or suggestions that he would wish considered. There are many important questions arising and as the committee has still a long road to travel I do not propose to say more at the moment.

'I would conclude by referring to the action which the Institute is taking in the field of post-qualifying education. In these days it is more than ever essential that members should keep themselves up to date with current developments which affect them. Recognizing this need, the Institute, acting through several Institute committees to whose members we are greatly indebted, has arranged for this winter a number of courses in electronic data processing, management accounting services and other matters.

'I cannot overstress the desirability for every member to watch for the course announcements as they come forward and to do his very best to arrange to participate in those courses which deal with matters which concern him.'

JOINT DIPLOMA IN MANAGEMENT ACCOUNTING

'As the scheme for a Joint Diploma in Management Accounting Services has made it necessary to propose the introduction of a new rule 70 into the Institute's rules, it will, I think, be convenient if I begin by saying a few words about the diploma scheme, the approval of which is to be dealt with in a subsequent resolution on our agenda.

'The diploma scheme is unusual in three respects. In the first place, it is being put forward for approval by members of five accountancy bodies in the British Isles so that all five bodies may take the unprecedented step of collaborating formally to offer a post-qualifying diploma to their members.

'The second notable feature of the diploma scheme is that it is a recognition in the clearest terms by the five participating accountancy organizations that in recent years accountancy has taken another step forward.

'The third novel feature of the diploma is that holders would be allowed to put additional designatory letters after their names over and above the designatory letters of their basic qualification. This is something which is not brought before you without a good deal of preliminary thought. I would, therefore, take this opportunity of emphasizing that the diploma which we are now discussing is a diploma for specialists: the standard of the examinations (which will include a thesis) will be high and the experience requirements will be exacting. Accordingly, it is not to be expected that the number of diploma holders will be large – they are likely to be numbered in hundreds rather than thousands – and the Council, therefore, is of opinion that the introduction of the diploma cannot harm the standing of the basic qualification C.A.

'On the other hand, the existence of the diploma will be an incentive to our members to specialize in the important field of management accounting services and will emphasize to industrialists that this is a field in which members of our Institute have much to offer. Naturally, it goes without saying that it is important that a reasonable proportion of the diploma holders should come from the membership of our Institute, and I have no doubt at all that the Council will have this matter continually in mind and will from time to time advise members of the Institute generally of the progress which is being made.

'You will, I think, like to be reminded that the scheme has already been approved by The Institute of Chartered Accountants in England and Wales, by The Institute of Cost and Works Accountants and by The Association of Certified and Corporate Accountants. The Irish Institute comes "last in the queue" because their procedure is, I understand, affected by the time-table of the Dail.

'I should now like to turn to Resolution 1 on our agenda paper – the adoption of a new rule 70.

'Rule 70, while primarily designed to enable the Institute to participate in the Joint Diploma Scheme for Management Accounting Services, does in fact go somewhat wider. Like the corresponding alterations to the constitution of the other participating bodies, rule 70 would make it possible for other schemes to be introduced by our own Institute either alone or in partnership with other accountancy bodies. There is, however, the safeguard that the approval of the Institute in general meeting would be required to the introduction of any such scheme. The Council has no intention at the present time of putting forward any such scheme other than the scheme for the Joint Diploma in Management Accounting Services which is before you today. Nevertheless, we cannot forecast what lies ahead of the accountancy profession in years to come, and we think that it is appropriate that the rule should be drawn in the general terms which are before you.

'The new rule, being an alteration to the Institute's rules, requires approval by at least two-thirds of the votes of those voting at this meeting. If the rule is made and is duly approved by the Privy Council, then of course a resolution to adopt any particular scheme – including the resolution to adopt the scheme for a Joint Diploma in Management Accounting Services – will not be an alteration of the rules and will accordingly not be affected by the two-thirds requirement, which applies only to alterations of the Institute's rules.

'In these circumstances, I commend to you both the resolutions to which I have referred.'

The President then formally proposed the adoption of the following resolutions:

Resolution 1

That conditionally upon the approval thereof by The Lords of Her Majesty's Most Honourable Privy Council and subject to such minor modifications as may be imposed by the Privy Council and accepted by the Council of the Institute in its sole discretion on behalf of the Institute, the following new rule (to be inserted after rule 69) be adopted as one of the rules of the Institute:

70. (1) The Institute in general meeting by a majority of votes of the members voting may approve and adopt any scheme, whether initiated by the Institute itself either alone or jointly with other professional bodies, or previously initiated by one or more other professional bodies and now to be joined by the Institute, for the granting of diplomas, certificates and other awards (with or without prior examination) to members of the Institute and of any other professional bodies who are parties to the scheme, in any

activity with which the accountancy profession is concerned, and for the use of designatory letters by persons granted such diplomas, certificates and awards, provided always that the use of such designatory letters shall be subject to the subsequent approval of the Privy Council, and may with regard to any such scheme empower the Council:

(a) to organize, maintain and manage, or to join in the organization, maintenance and management of, such scheme as from such date as the Council may fix, and by such means, including the appointment of organizers or managers or the nomination of representatives of the Council upon the Joint Board of such scheme, as the Council may determine;

(b) to finance, or join in financing, the requirements of such scheme, whether by way of loan, advance or outright contribution as the Council may at any time or from time to time consider appropriate;

(c) to approve of alterations or additions to such scheme and to the regulations (if any) made thereunder for the purpose of implementing the same; provided that the Council shall not permit any such alteration or addition to be made which in the opinion of the Council would fundamentally alter the scheme as approved except with the further approval of the Institute in general meeting by a majority of votes of the members voting;

(d) as from such date as the Council may fix, to withdraw the Institute from being a party to such scheme either at the Council's own discretion or, if so instructed by resolution of the Institute in general meeting, by a majority of votes of the members voting;

(e) to make and to alter from time to time, all in terms of rule 65, bye-laws binding upon the members of the Institute relating to such scheme; and

(f) generally to do all acts or things as the Council may deem necessary or desirable to further the interests of the Institute or of its members through the operation of such scheme.

(2) Any scheme to which the Institute is a party in terms of this rule and which is for the time being operative (including any regulations made under such scheme for the purpose of implementing the same) shall be binding upon the Institute and all its members to the same effect as if such scheme (including any such regulations) formed part of the bye-laws of the Institute; but no member of the Institute shall in any circumstances be obliged to participate in such scheme.

Resolution 2

That, subject to and conditionally upon the new rule 70 adopted by Resolution 1 receiving the approval (with or without amendment) of The Lords of Her Majesty's Most Honourable Privy Council, the Scheme for a Joint Diploma in Management Accounting Services (a copy of which was issued to each member of the Institute on October 14th, 1964, and a print of which subscribed by the Chairman for the purpose of identification has been submitted to this meeting), be and the same is hereby, approved and adopted by the Institute in terms of rule 70, and the Institute hereby vests in the Council all the powers set out in rule 70 in connection with the said scheme; provided that the Council shall have power without the further approval of the Institute in general meeting to approve any alteration of the said scheme involving the deletion from the scheme of any one or more of the participating bodies defined therein, but the use of designatory letters as set out in the said scheme shall be subject to the Privy Council's approval and shall be suspended until such approval shall have been obtained.

The motion was seconded by Mr Alexander McKellar and was then open for discussion.

DISCUSSION

Mr C. I. Buyers, C.A. (Glasgow): I should like to raise a question regarding the new joint diploma scheme. This is as regards those Fellows of The Institute of Cost and Works Accountants who are getting the diploma without further examination.

Now can we have any figures given to us as to how many cost and works accountants will be given the diploma immediately, and whether there is any provision for any of our members to be given this diploma without further examination? I feel from experience that many of our members who have worked in consultancy for quite a long period are just as competent, if not more so, than many of the Fellows of the I.C.W.A. I feel there should be some provision whereby our members get a certain amount of consideration. I am thinking of one or two people particularly who have been doing management accounting work for up to five years. They are under 40 years of age, therefore they will have to do the full examination. They say they are not prepared to do this. Therefore we are not going to get some of our best people in the Institute in their field within the joint diploma scheme.

Has the Council given consideration to the interests of existing members in this connection?

The President: First of all, I would have required notice of this question in order to give the figures.

The members of The Institute of Cost and Works Accountants who will get the diploma will only be those who have qualified by examination. There is a provision in the scheme for us to nominate a number of our members – the figure is approximately ten – who will get the diploma as an honorary award. They have to be at least 50 years of age. The second category who are getting a concession are those over 40 and, as regards those who are still under 40, there is simply no provision for them to get the diploma without the necessary examination and experience. I think you may take it that our representatives on the special committee who worked out this scheme gave the fullest possible consideration to all aspects of it, and I do not think it would have been possible to have a scheme which did not have borderline cases which appeared to be harsh cases.

Mr T. J. Hunter, C.A. (Glasgow): I feel rather strongly about this Diploma in Management Accounting. I feel that it would result in the lowering of the basic degree, and I feel that the Council should think of including it in the ordinary examination syllabus rather than regarding it as a separate diploma. Since many of the members are not here today, they could be asked their views by election notices.

Mr McKellar: There is no question at all of debasing the basic currency of our degree, and anyone who looks at the appendix to the scheme will realize that the subjects are quite impossible to incorporate in our ordinary C.A. degree. And apart from that, there is the question of experience, and this means actual practical experience. If I could give an analogy – one finds it in the medical profession – you have a general practitioner for day-to-day problems, but the general practitioner knows that there are certain matters which he just cannot deal with – major operations – and one thinks nonetheless of the general practitioner for recommending that you go to a consultant physician or a surgeon. One still comes back to the general practitioner for day-to-day problems. I have no doubt at all that the diploma is something entirely separate from our own basic C.A.

On being put to the meeting, the Resolutions were carried with two dissentients.

Cost Accountants' London Conference

A ONE-DAY conference was held by The Institute of Cost and Works Accountants at the Connaught Rooms, London WC2, last Saturday, and was opened by the President of the Institute, Mr J. P. Wilson, F.C.W.A., F.C.I.S.

Two papers were presented, both on the theme 'Planning for growth'. The first was given by Mr R. F. Medlicott, a director of Kleinwort Benson Ltd, who spoke on 'Conditions of growth and capital expansion', and the second, by Mr A. W. Field, F.C.W.A., F.C.I.S., A.M.B.I.M., dealt with 'The management of industrial growth'; each paper was followed by discussion. At the Conference Luncheon the guest of honour was Sir Richard Powell, K.C.B., K.B.E., C.M.G., Permanent Secretary to the Board of Trade, who gave a short address.

Growth of Companies

In his paper at the first session, Mr Medlicott stated that in relation to the growth of companies, the first public issue involving a quotation was a critical stage for private companies and it was, moreover, when bringing a new company to the market, that merchant banks became most intimately associated with the growth problem of private businesses. He went on to say that although the decision of an unquoted company to go to the market might be prompted by purely technical considerations, such as the avoidance of surtax direction or the difficulties arising from estate duty problems, the most frequent reason was the inability of private proprietors, very often confined to one family, to keep pace with the growing capital demands of the business in times of heavy taxation and inflationary price increases. He pointed out that in the investigations which preceded quotation, the company's affairs were subjected to the independent scrutiny of experts and almost invariably induced a rigorous self-examination within the company itself which resulted in more efficient methods, leading again to further growth.

After referring to the form of capital issue required by a particular company, Mr Medlicott went on to comment on the means of marketing, drawing attention to the four different methods, namely, an issue by prospectus, an offer for sale, a placing, or an introduction.

Mergers and Amalgamations

Turning to the question of growth by merger or amalgamation, Mr Medlicott said that one of the principal motives for take-over bids was buying assets at a discount and the fact that they had been bought at a discount generally implied mis-management in the hands of the present owners, and subsequent growth when they passed into stronger hands. However, sometimes mergers were undertaken for purely trade advantages, such as horizontal and vertical integration, securing access to markets and sharing sales organization, and mergers of this type also contributed to growth and efficiency.

In regard to the technical methods which might be followed to effect mergers, he referred to the distinction between take-over bids which made use of section 209 of the Companies Act to compel the acceptance of dissentient minorities of 10 per cent or less, and those operations which were normally referred to as amalgamations and were usually effected by schemes of arrangement under sections 206 and 208 of the Companies Act. The main advantage of a scheme of arrangement was that the majority required to bring the scheme into effect was less, and there were also stamp duty savings.

National Growth

Passing on to consider growth from the point of view of national economies, Mr Medlicott compared the growth statistics of eight industrialized countries.

Drawing conclusions from his general survey and relating them to the present situation in the United Kingdom, he said that the first conclusion was that growth performances over a period as short as ten years were greatly affected by what might be referred to as 'phasing'. This included transitory factors such as post-war recovery, catching up with backlogs of industrialization, and exceptional transfers of labour from agriculture. Viewed with this background in mind, the United Kingdom performance was not so bad and it was significant that the United States growth rate *per capita* of 1·5 per cent from 1949–59 was even lower than that of the United Kingdom. The second conclusion was that growth rates and growth potential were greatly influenced by the age and existing structure of an economy. There was adequate reason for the belief that inputs of labour and capital were subject to diminishing returns in fully developed economies and that the natural growth rates were higher in countries still undergoing industrialization. Thirdly, in countries where, because of full employment, restrictive practices and a preference for leisure prevailed, increasing the capital input might not produce additional growth if offset by such measures as shorter working hours. Fourthly, the efficiency of capital input depended on the structure and quality of that input; this embraced not only the distinction between productive and unproductive investment but also giving priority to rapidly-growing sectors of the economy. Restraint of unproductive Government capital expenditure was necessary to ensure that fast-growing sectors received the necessary priority.

Mr Medlicott concluded, however, that even if growth was given first place and every measure taken to increase the factor inputs of labour and capital, there remained the intractable obstacle of a weak balance of payments. This was a chronic structural weakness which, in his opinion, was only likely to be resolved by prompt, and even, if necessary, unconditional adherence to the Common Market. He could not envisage any other means of securing free access to an expanding market of adequate size which would absorb increasing exports of the technically advanced products which the United Kingdom was capable of producing. At the same time it would restore adequate competition and eliminate some of the inefficiencies in the present structure.

Management of Industrial Growth

At the second session, Mr A. W. Field, F.C.W.A., F.C.I.S., A.M.B.I.M., spoke on 'The management of industrial growth'. Mr Field said that business, in order to operate smoothly and successfully, must rest on a carefully balanced co-ordination of productive capacity, sales level and available finance. If one or more of these points were not in equilibrium, the company was likely to suffer many difficulties. The rapidly-growing small company was particularly vulnerable and if, as might be most likely, demand was setting the pace, the danger would tend to be a lack of adequate capital resources; diagnosis in the early stages could put things right, for money was always available to invest in the good prospect.

Rapid growth which did not allow time for consolidation might also bring dangers, said Mr Field. The mentality of those who had served a small unit might not be adjustable to the requirements of the larger organization where higher standards of managerial and administrative skills were needed. The steadying influence of financially trained executives could be extremely valuable in these circumstances. He added that the dangers inherent in the speed of company development called for a high degree of control in which the critical factor was more often than not finance. Many companies had only got away with persistent overtrading through the shrewd intervention of the accountant or the far-sighted support of the bank manager.

Finance or the build-up of capital resources, said Mr Field, must keep pace with the expansion of sales and production. Assuming the company was highly profitable and that the rate of growth was reasonable, there was no reason why it should not be in a position to finance its own needs, although the ever-rising level of costs imposed a strain even in these circumstances. But while expansion might proceed smoothly, the steps taken to meet it could cause heavy increases of expenditure at irregular periods. There were various and well-known sources of finance ranging from bank loans to public issues of shares but the important thing to recognize was the need for further capital at the right time and not to wait until the situation became desperate. When that stage was reached it was far more difficult, if not impossible, to make out a good case to the lender. Furthermore, to stretch the credit taken from suppliers to unreasonable limits did not enhance the company's name in business circles and such news circulated very quickly.

Mr Field went on to say that the arrowhead of the growth effort was the chief executive. With the backing of live and competent management and with information on how closely his general plan was being followed, he could direct and channel the progress of the enterprise towards the target of expansion. Measurement of all these things rested to a considerable degree on the shoulders of the management accountant, and, said Mr Field, the accountant must be sure that adequate information was made available, that it was presented in the most convenient form and that it was in the hands of the recipients at the earliest possible time.

CONFERENCE LUNCHEON

In the course of his address at the Conference Luncheon, Sir Richard Powell, K.C.B., K.B.E., C.M.G., Permanent Secretary to the Board of Trade, said:

'I would like to say a word or two about the structure of industry – a subject which is of great interest to the Board of Trade and, I think, has a great bearing on

Sir Richard Powell, K.C.B., K.B.E., C.M.G., Permanent Secretary to the Board of Trade, speaking at the Conference Luncheon. Seated (*left to right*): Mr J. P. Wilson, F.C.W.A., F.C.I.S., President of the Institute; Mr G. R. Coe, F.C.W.A., Chairman, London Area Local Committee, who presided at the luncheon, and Mr R. F. Medlicott, who gave one of the Conference papers.

problems of growth. At the heart of the growth in industry, there lie two problems: first, the efficiency of management of the individual enterprise, and secondly, the question of the size of enterprises. There seems to me to be a relation between these problems and our ability to expand our exports, in which the Board of Trade is supremely interested, and on which the achievement of all our national objectives ultimately depends.

'We are predominantly a country of small enterprises; of a total of about seventy thousand individual enterprises in manufacturing industry, two-thirds or more employ less than twenty-five people. There are less than 5,000 firms in Britain which employ 200 people or more, and less than 1,000 employing 1,000 people or more. Less than 200 employ five thousand or more, and only eight employ 50,000 or more. About two hundred firms account for about half the net output of manufacturing industry and, oddly enough, about two hundred firms account for at least half of our total exports. Twelve firms account for one-quarter of our total exports. Out of the total of 70,000 manufacturing enterprises, only 5,000 are direct exporters, and even this figure includes export merchants and some retailers; so you can see we are dependent for our exports on much less than 10 per cent of the total number of manufacturing enterprises in this country.

'It seems fairly clear that if we are to build up our exports to a higher level we need more large firms who employ capital intensively and need a continuously high volume of output in order to keep their capital assets profitably employed, and who thus have a direct incentive to look at the whole world as their market. There are very few British firms at present who are in this class, and I think we need more of them.

'Such firms will require the services of members of your Institute, Mr Chairman, in order to ensure that they get the maximum return for their efforts and to exploit to full advantage the modern techniques for the extraction, presentation and use of management information in which you are so expert.'

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

C.I.R. *v.* Lyle's Trustee (Public Trustee)
C.I.R. *v.* Ralli Brothers Ltd

In the Court of Appeal – October 22nd, 1964
(Before THE MASTER OF THE ROLLS (Lord DENNING), Lord Justice HARMAN and Lord Justice RUSSELL)

First Case

Estate duty – Contingent share of residue – Deed of variation – Discretionary trust – For specified period or a lifetime – Death of a discretionary beneficiary – Whether a passing – Change of title – Whether a passing – Change of a group of beneficiaries – Whether a re-settlement – Whether a re-casting of trusts – Whether a passing after an interval – Whether a passing by reference to the death – Succession Duty Act, 1853, sections 2, 8 – Finance Act, 1894, sections 1, 2 (1) (b), 22 (1).

The testator divided the residue of his estate into three shares for his children and their issue. One share (the Kirkwood share) was settled for the benefit of his daughter, so that it should be held during her life on discretionary trusts for the daughter, her children or other issue, his two sons-in-law and the children or remoter issue of a deceased daughter. After the death of the daughter interested in the Kirkwood share the capital and income of that share was to be held in equal shares for her children on attaining 21 years of age or being a daughter attaining that age or marrying.

The daughter had three children, who each became contingently entitled to one-third of the Kirkwood share on the death of their mother. One of the children, a son, made a deed of variation on July 17th, 1961, in favour of the same discretionary class for the period of seven years from the date of the deed or the lifetime of the daughter, whichever was the longer. The son released to the trustees all the income of his reversionary share; and the trustees were to stand possessed of that share during the trust period for the benefit of members of the discretionary class as the trustees thought proper; and subject thereto the son's share was to be held in trust for him absolutely. The deed also directed that after the death of the daughter, and at the son's written request, the trustees might transfer or pay any part of the share to him, or apply it for his advancement or otherwise for his benefit.

The testator's daughter died on July 28th, 1961, and estate duty was claimed on her death in respect of the one-third share of the Kirkwood share to which the deed of variation applied. The plaintiffs contended (i) that as the daughter was but one of a numerous discretionary class, there was no passing on the occasion of her death, nor any cesser of an interest thereon; (ii) that the effect of the deed of variation merely affected the son's title to his share of the discretionary trust, and there was no change of possession. The respondents contended that the effect of the deed of variation was to set up a discretionary trust for a different class as compared with the class constituted by the testator's will; and that notwithstanding the specified period of seven years in that deed there was a passing on the death of the testator's daughter or after a period ascertainable only by reference to that death.

Second Case

Estate duty – Life interest – Remainder assigned to life-tenant – Assignment for short period – Death of life-tenant – Whether payable on trust fund – Finance Act, 1894, sections 2 (1) (b), 22 (1) (l), 6 (2), 7 (5), 8 (4), 9, 14 – Finance Act, 1934, section 28 – Finance Act, 1940, section 43.

The deceased was entitled to a life interest in a trust fund, and subject thereto the property was to pass, under an appointment made by the deceased, to her grandsons, in equal shares absolutely. This appointment was made on December 5th, 1961. On the following day the two grandsons assigned to the deceased their interest, if any, in the income of the trust fund down to December 31st, 1965, with the intent that the interest assigned should merge with the deceased's life interest in the trust income, and so that the deceased's life interest might be enlarged into an absolute interest in the trust income up to the end of 1965 or on the deceased's death, whichever should be later. On December 12th, 1961, the grandsons released the power of revocation they had in the assignment deed. On December 24th, 1961, the deceased died.

Estate duty was claimed on the deceased's death, on the footing that the trust fund passed on her death. It was contended for the plaintiffs that the only interest held by the deceased at the date of her death was in the trust income up to that date. It was contended on behalf of the defendants (i) that the deceased's life interest had been disposed of within five years of the date of her death, and that section 43 of the Finance Act, 1940, applied, so that the trust fund itself passed on her death; (ii) alternatively, that on the death of the deceased a benefit arose or accrued within section 2 (1) (*b*) of the Finance Act, 1894. It was contended on behalf of the defendants that at the date of her death the deceased's interest in the trust income was a right to receive all the trust income until she died or until December 31st, 1965; and that on her death the corpus of the trust fund passed, and section 1 of the 1894 Act applied.

In the Court of Appeal the two cases were heard together.

Held in the first case (reversing the decision of Mr Justice Wilberforce): the effect of the deed of variation was to create a new trust of the grandsons' share from the date of their mother's death (July 28th, 1961) to July 17th, 1968; that there was a passing on the mother's death under the Finance Act, 1894, section 1; alternatively, an interest arose or accrued on the mother's death under section 2 (1) (*b*).

Held in the second case (Lord Justice Russell dissenting) (reversing the decision of Mr Justice Buckley): there was not one continuing trust before and after the death of the deceased; that on the deceased's death there was a cesser of her life interest; and that estate duty then became payable pursuant to section 2 (1) (*b*) of the Finance Act, 1894.

Central and District Properties Ltd *v.* C.I.R.

In the High Court of Justice (Chancery Division)
July 31st, 1964
(Before Mr Justice UNGOED-THOMAS)

Stamp duty – Exemption – Transferor and transferee companies – Acquisition of shares – Third party selling shares in transferee company – Whether consideration still 90 per cent of shares in transferee company – Finance Act, 1927, section 55.

The appellant company had an issued capital of ¼ million fully paid preference shares of £1 each and 1,343,000 fully paid ordinary stock units. The controlling interest in the company was held by another company (Unicos), which had an issued capital of 646,460 'A' preference shares, 55,653 'B' preference shares, 240,598 'C' preference shares and 1 million ordinary shares.

The appellant made the following offer to the shareholders in Unicos: for each 'A' preference share one 6½ per cent preference share in the appellant and 9*d* cash; for each 'B' preference share ten 6½ per cent preference shares in the appellant and 4*s* cash; for each 'C' preference share one 6½ per cent preference share in the appellant and no cash; and for each ordinary share two ordinary shares in the appellant, three 'D' ordinary shares of 4*s* each and 8*s* cash. The total value of the consideration was £5,078,960 of which £4,643,588 was represented by the shares in the appellant while the balance of £435,372 was in cash. The offer became unconditional. At that stage therefore the consideration was within section 55 (1) (*c*) of the Finance Act, 1927, because over 90 per cent of the consideration was in shares in the transferee company.

On the same day a finance company (Leadenhall) offered for sale, by way of negotiable letters of entitlement, 1,433,588 ordinary stock units in the appellant to the preference shareholders in Unicos. Each holder of £1 of preference capital in Unicos was to be entitled to buy one ordinary stock unit in the appellant at the price of 9*s* 9*d*. The negotiable letters of entitlement could be dealt in on the Stock Exchange; and at the relevant time the ordinary stock units in the appellant were quoted at 14*s* to 15*s*, and so the quotation for the letters of entitlement was 4*s* 3*d* selling price and 5*s* 3*d* buying price.

It was contended by the respondent that the 4*s* 3*d* was part of the 'consideration for the acquisition' of the Unicos shares within section 55 (1) (*c*); and that therefore the provision of the consideration for the acquisition of the shares was less than 90 per cent in shares of the appellant.

Held: the offer by Leadenhall of the 1,433,588 ordinary stock units in the appellant to the Unicos shareholders was not made on behalf of the appellant; that the appellant did not make any promise to the Unicos shareholders that Leadenhall would make to them the offer it did make; and that the consideration for the acquisition was, as to more than 90 per cent shares in the appellant.

MANCHESTER SOCIETY OF CHARTERED ACCOUNTANTS' ANNUAL DINNER

Over three hundred members and guests attended the annual dinner of the Manchester Society of Chartered Accountants held on November 19th at the Midland Hotel, Manchester. The President of the Society, Mr D. N. Walton, F.C.A., was in the chair.

Proposing the toast of 'The City and Trade of Manchester and Our Guests,' Mr Walton welcomed the Lord Mayor of Manchester, Alderman Dr William Chadwick, J.P., who was the City's first Lord Mayor from the medical profession, and had started practice in the area nearly forty years ago.

Mr Walton recalled that the Lord Mayor had expressed the hope that during his term of office he would see an attempt made to rejuvenate the old and derelict parts of the city. This was something in which all citizens would support the Lord Mayor. It did not necessarily mean a large expenditure of money; it wanted a climate of opinion. He added that the parks superintendent should be supported in schemes for planting more trees in 'this very treeless city'.

Mr Walton said that when he first came to work in Manchester in 1931 he very quickly formed his own opinion of the city as 'a grim city redeemed by its wonderful people'. Since then it had become a good deal less grim, and its people were still wonderful.

Welcoming the other guests, Mr Walton said that he was particularly glad to see the President of the Institute present. Mr Densem, he remarked, was the sixth member of his firm to be President.

City Redevelopment

Responding, the Lord Mayor said that he accepted the statement that Manchester was a grim place. The city was suffering from the frightful heritage of the first industrial revolution, which had left appalling scars.

However, the city was now busily engaged in removing those scars and two slum houses were being demolished in Manchester every working hour of the working week. By 1973 or 1974, it was hoped that all the slums would be cleared.

Redevelopment plans, including the transformation of the city centre and the establishment of a university campus, would make Manchester a beautiful city.

The Lord Mayor recalled his recent goodwill visit to Texas, and described the canal that connected the city of Houston with the sea, thirty-eight miles away. The people of Houston, he said, had sent a party to inspect the Manchester Ship Canal before building their own and it was interesting to know that the terminal of the Texan canal was called the Manchester Terminal.

Proposing the toast of 'The Institute of Chartered Accountants in England and Wales', Mr D. P. Hilton, M.B.E., B.A., Vice-President of The Law Society, said that the achievements of the Institute were too well known for him to have to talk about them.

Mr Hilton compared the experience of The Law Society with that of the Institute in such matters as overseas relations, their public image, education and training.

The Law Society, he said, was trying to help the newly developing countries. 'It is very important that we should all know as many accountants and lawyers from as many parts of the world as we can', he said.

Mr Hilton referred to the difficulty of placing articled clerks in the right offices, and said that his own Society had doubled its intake, and this presented a lot of problems.

New District Society

Responding, Mr W. G. Densem, F.C.A., President of the Institute, said that he had always been impressed by the very kindly atmosphere and the friendliness that was always apparent in Manchester. For a long time the Manchester Society had been a very important part of the accounting profession, and Manchester was the biggest provincial society.

In fact, its size, said Mr Densem, had become a little too big, and the North Lancashire Branch had made a request to become a separate society. The Council had now agreed that it would try to make arrangements with North Lancashire to enable it to be a separate district society and he added that he hoped this would meet with the general approval of all.

The President went on to pay a tribute to Mr F. M. Wilkinson, F.C.A., the Joint Secretary of the Institute, for all his work for the Institute over many years. Mr Wilkinson, as announced in our last issue, is to retire at the year-end for health reasons.

Mr Densem also referred to the appointment of Mr D. W. Hooper, M.A., F.C.A., as Technical Officer. Mr Hooper had been with the National Coal Board for some time, and was very interested in computers and similar equipment. This exemplified the fact that the Council and the Institute were keeping the profession abreast of the demands of their clients.

The President added that 'they could do nothing about the coming of the computer; it was a very necessary evil'. He recommended, however, that all practising members and those in industry should take advantage of the introductory courses that the Institute was running.

Assistance to Clients

Mr Densem went on to say that the interests of clients did not end with tax matters. It was important that members should try to interpret accounts for the benefit of clients.

If all one did was to produce a set of accounts, the client was not quite so appreciative as he would be if they were explained to him. Clients might then pay more for the accountant's services, and more money

could be paid to the staff. Half the members of the Institute, he said, undervalued themselves. If they did not value themselves properly, how could they value their staff?

In conclusion, the President emphasized that the Institute's image must be raised so that new members would be of the proper calibre. Educational facilities needed to be increased and principals must help by sending their articled clerks to the courses that were being provided.

Proposing a toast to the chairman, Mr K. A. Millichap, F.C.A., thanked him for his work on behalf of the Society.

Responding, Mr Walton paid tribute to the Honorary Secretary, Mr D. A. Boothman, F.C.A., and the Assistant Secretary, Miss I. Ritchie, LL.B.

COVENTRY CHARTERED ACCOUNTANTS' BIENNIAL DINNER

The need for all types of business records to be integrated in computer systems was stressed by the Hon. Geoffrey Rootes, managing director of Rootes Motors Ltd, at Coventry on Thursday of last week.

Mr Rootes, who was proposing the toast of 'The Institute of Chartered Accountants in England and Wales' at the biennial banquet of the Coventry Area Branch of the Birmingham and District Society of Chartered Accountants held at the Hotel Leofric, went on to say that resistance to change was by no means confined to workers on the shop floor. He hoped that members of the profession would co-operate in enabling the maximum benefit to be extracted from these new developments. Mr Rootes forecast that electronic data processing equipment would bring about a revolution in business methods and business efficiency in the foreseeable future. 'It is already clear that, if we are to make fullest use of this equipment it is essential to integrate all records into the computer so that its capacity for programme analysis and deduction can be fully utilized.'

'The mass of information', he continued, 'which a large business had to cope with in its daily routine was not confined merely to accountancy records. Electronic processing equipment was rapidly being extended to the field of material and production control, stock control, statistical analysis, marketing research, machine loading and so on.'

E.D.P. and the Auditor

'I appreciate this must raise problems which from the viewpoint of the traditional auditor have not yet been satisfactorily solved,' he said. But, whatever the future held, it was safe to predict that the increasing complexity of the modern age was going to demand the highest standards of skill and integrity on the part of accountants.

He described the introduction of the Diploma in

At the Coventry Chartered Accountants' Banquet. *Left to right:* The Venerable L. J. Stanford, M.A., The Archdeacon of Coventry; Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A., Immediate Past President of the Institute; Alderman T. H. Whiteman, J.P., Lord Mayor of Coventry; Mr M. J. Kirby, F.C.A., Chairman of the Coventry Area Branch; Mr C. R. Vincent, F.I.B., joint general manager, Lloyds Bank Ltd; The Hon. Geoffrey Rootes, managing director, Rootes Motors Ltd, and Mr R. J. Kerr-Muir, O.B.E., T.D., M.A., B.SC., President, Coventry Chamber of Commerce.

Management Accounting Services as 'an admirable innovation' which would further enhance the value of the profession and its services to management.

Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A., Immediate Past-President of the Institute, responding to the toast, said the stage had been reached within the Institute where they had to think of the next fifty years, and what the pattern was going to be.

He believed it necessary to raise the educational standards for entry and to give urgent consideration to methods of training, if they were to meet all the problems and challenges ahead. 'What was good enough for our fathers and grandfathers will not be sufficient to meet the bill for the future', he declared.

Mr Winter also expressed the view that it was necessary to form more Institute branches, so that members could meet more often and not have to travel long distances to meetings.

Mr C. R. Vincent, F.I.B., Joint General Manager of Lloyds Bank and a former manager of the bank's main Coventry branch, had earlier in the evening proposed the toast of 'The City of Coventry'.

He said his impressions of Coventry, where he spent three of the happiest years of his business life, could be summed up in the words 'achievement' and 'friendliness'. Apart from its industrial achievements, it was a city that must be unique for gaining in one generation a new cathedral and a new university.

The Lord Mayor of Coventry, Alderman T. H. Whiteman, J.P., responding, said that the city's friendliness towards new-comers was one of the secrets of its success. It also tried to show friendship to cities elsewhere in the world, and on this 'people to people' level sought to help the cause of world peace.

Mr M. J. Kirby, F.C.A., the branch chairman, who presided, said in proposing the toast of 'The Guests', that Mr Rootes represented an industry that was one of the main factors in the present economy and everyone in Coventry, to some extent, owed their living to the motor industry. The year, he said, had brought great strides in education and training within the profession. His own hope was that training in a professional office should always be an essential requirement for the articled clerk.

Mr R. J. Kerr-Muir, O.B.E., T.D., M.A., B.SC., President of the Coventry Chamber of Commerce, responded for the guests in humorous vein.

HULL, EAST YORKSHIRE AND LINCOLNSHIRE CHARTERED ACCOUNTANTS' DINNER

The small client's need for advice from his accountant so that he might better understand management aspects of his business was commented on by Mr W. G. Densem, F.C.A., President of The Institute of Chartered Accountants in England and Wales, at the dinner of the Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants, held in the banqueting hall of the Guildhall, Hull, on November 20th.

Accountants, said Mr Densem, really had to be careful in their traditional work of accountancy, auditing and taxation on behalf of their clients. They should take the trouble to see that clients understood, and if there was anything they could do to help them in the management of their businesses they should do it.

'We would be failing in our duty if we do not do this,' added Mr Densem. 'We in the Institute are a little perturbed and that is why we have instituted a certificate of management information which requires a certain amount of reading and understanding on what we can do in the presentation of figures. There is a need for this sort of understanding. We should not be too satisfied with ourselves.'

Mr Densem said it was the first time he had been to Hull which he described as progressive. The Hull, East Yorkshire and Lincolnshire Society was one of the smaller societies but it was playing its full part in the Institute and the enthusiasm they were showing was appreciated.

In conclusion, Mr Densem paid a tribute to Mr Wilkinson, who is retiring as Joint Secretary of the Institute. They would miss him enormously, he said. Over the years his knowledge and experience had been invaluable.

Mr W. Fraser, O.B.E., M.A., M.INST.T., deputy chairman and managing director of the Transport Development Group Ltd, proposed the toast of 'The Institute of Chartered Accountants in England and Wales'. Although he was not an accountant he had had many dealings with accountants and he had found them 'most professional and agreeable'.

Integrity of Purpose

There were 130 subsidiaries in his company and it was necessary for him to confer with accountants not only in the United Kingdom but also in Europe and Australia. Generally, he said, accountants had integrity of purpose and strength of character, and as a profession they were greatly respected.

In his experience no business of any size could operate without a professional accountant 'on the job'.

Proposing the toast of 'Our Guests', Mr H. G. Sergeant, F.C.A., President of the Society, who presided at the dinner, paid tribute to the local Inspectors of Taxes and extended a welcome to members' clients, too, 'because without them there would have been no dinner!' Mr Sergeant added that the many problems and difficulties accountants had to face with H.M. Inspectors of Taxes in no way impaired their relations with them.

The Society, he said, covered an area from Whitby to Boston and people had come long distances to be present. It was with the greatest warmth that he welcomed the guests from the south. Mr Sergeant said that he, too, was from the south but he had now had twenty years of professional life in Hull which he described as a great city.

Mr T. H. F. Farrell, LL.B., a Hull solicitor, responded to the toast.

Notes and Notices

PROFESSIONAL NOTICES

Messrs Henry R. Davis & Co, of Chester, announce that Mr H. Culme, F.A.C.C.A., will retire from the partnership on November 30th and on that day Mr H. N. M. Jones, A.C.A., will be admitted a partner in their Holywell, Flintshire, practice.

Messrs Alfred Laban, Son & Co, Chartered Accountants, of 25–27 Oxford Street, London W1, and 310A Station Road, Harrow, Middlesex, announce that Mr Dennis Peter Fautley, A.C.A., who has been a member of the staff for some years, has been admitted into the partnership. The firm's name remains unchanged.

Messrs Whinney, Murray & Co announce that Mr S. C. Hyslop, F.C.A., who has served on their staff in Milan and Paris, was admitted a partner in their Antwerp office on November 1st, 1964.

Appointments

Mr J. F. Gill, F.C.A., has been appointed a director of M. Berman Ltd.

Mr Desmond B. Hirshfield, F.C.A., a director of Trades Union Unit Trust Ltd since its formation in 1961, has become chairman of the company in succession to The Rt Hon. the Earl of Longford, P.C.

Mr J. F. Mallabar, F.C.A., has been appointed a member of the Midland district board of Martin's Bank Ltd.

Mr Ian T. Morrow, C.A., F.C.W.A., and Mr W. S. Risk, B.COM., C.A., F.C.W.A., have been appointed directors of M.I.T. Industrial Holdings Ltd.

Mr G. J. Redmond, A.C.A., has been appointed to the board of Seddon Diesel Vehicles Ltd.

PURCHASE TAX

Revision of Notice No. 78

Notice No. 78, which is issued by the Commissioners of Customs and Excise to provide information about goods chargeable with purchase tax, has been revised and brought up to date. The new edition reproduces the tax schedule as enacted by the Purchase Tax Act, 1963, and incorporates all amendments which have been issued.

Copies of the new edition, which supersedes that dated January 1963, are being supplied to all traders registered for purchase tax purposes and to trade associations.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

President's Luncheon

The President of The Institute of Chartered Accountants in England and Wales, Mr W. Guy Densem, gave a luncheon party on Thursday at the Dorchester Hotel, London W1. The guests were Viscount Cowdray, Lord Geddes, Sir Nicholas Cayzer, Sir Hilton Poynton, Mr A. K. Cairncross, Mr E. J. Partridge, Mr E. Hay Davison, Mr P. F. Granger, Mr S. John Pears, Mr F. J. Weeks and Mr C. Evan-Jones.

Electronic Data Processing Courses

The Institute of Chartered Accountants in England and Wales is holding a series of four electronic data processing courses at Harrogate which commenced last Wednesday and continue until December 3rd. The courses will be attended by about one hundred and eighty members including members from Canada, Malaysia, and Switzerland.

A previous series of courses was held at Brighton last May. Like the earlier courses, the present series has been planned to combine an appreciation of electronic data processing generally with a consideration of the control and audit aspects. The courses are not intended to be technical and their object is to introduce members to the principles upon which a computer works and the methods underlying a system of electronic data processing. It is felt that this will give members in commerce and industry an appreciation of what is involved in such a system and will assist members in practice to plan their audits where computers are in use.

Each course is divided into six main parts, each part dealing with a separate aspect of the subject of electronic data processing – what a computer system is; how a computer is used; what computer programming is; how a computer system should be controlled; considerations of external audit and the accountant and auditor of the future. Case studies or practical examples are included in each course with members working in syndicates, under a syndicate chairman, with the assistance of a syndicate adviser.

THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

Conference on the Water Resources Act

A conference on the Water Resources Act, 1963, was held by The Institute of Municipal Treasurers and Accountants in London on November 11th, when over four hundred and seventy delegates connected with the water industry heard papers on the Act.

The first speaker, Mr Leonard Millis, O.B.E., secretary of the British Waterworks Association, gave a paper on the 'General background to the Act'. He was followed by Mr N. A. F. Rowntree, a member of the Water Resources Board, who spoke on the 'Technical problems and their probable solutions'. The final paper by Mr S. W. Hill of Arthur Collins & Co Ltd, on the 'Financial effect on the water industry', preceded a session in which the three speakers dealt with questions raised by members of the audience.

Copies of the report of the conference will shortly be available and may be obtained from the Institute, 1 Buckingham Place, Westminster, London SW1.

INSTITUTE OF ACTUARIES

Presentation of Gold Medals

At a meeting of the Institute of Actuaries held last Tuesday, gold medals in honour of 'actuarial work of pre-eminent importance' were presented to two members, Mr Wilfred Perks, F.I.A., actuary of the Pearl Assurance Co Ltd, and Mr William Phillips, O.B.E., F.I.A., of Lamb Building, Temple (who is, of course, known to readers of *The Accountant*).

The President, Mr Herbert Tetley, C.B., M.A., F.I.A., in making the presentations, recalled that the last occasion on which a gold medal had been presented by the Institute of Actuaries was in 1927, although jointly with the Faculty of Actuaries, a gold medal had been presented in 1929 and in 1937.

The President referred to the actuarial work of Mr Perks over a wide field, including graduation of tables, inverse probability and methods of approximate valuation. Mr Phillips, the President said, had thrown important new light on the study of mortality statistics by his work on the curve of deaths. Also, in 1936, he had shown how the adoption of the binary scale would enormously simplify the work of a mechanical computer and had demonstrated a computer he had designed incorporating these ideas. The development of electronic computers testified to the prophetic importance of Mr Phillips' work nearly thirty years ago.

The seal of the Institute is reproduced on the medals in a contemporary design.

WATFORD CHARTERED ACCOUNTANTS' DISCUSSION GROUP

The next meeting of the Watford Chartered Accountants' Discussion Group will take the form of an informal Christmas dinner to which all members and their ladies are cordially invited. Any new members will be especially welcome. The dinner will be held on Thursday, December 10th, at 8 p.m. at the Crown Hotel, Garston, Watford, and anyone wishing to attend should contact the honorary secretary, Mr H. G. Hufford, F.C.A., 79 Marlowes, Hemel Hempstead.

BEDS, BUCKS AND HERTS CHARTERED ACCOUNTANTS

Secretary's Change of Address

The address of the honorary secretary of the Beds, Bucks and Herts Branch of the London and District Society of Chartered Accountants, Mr R. E. Wright, F.C.A., is now 11 George Street West, Luton. Telephone Luton 21571.

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

Tees-side District Society Formed

A Tees-side District Society of The Association of Certified and Corporate Accountants was formed on November 13th, at a meeting of local members and students at the Corporation Hotel, Middlesbrough.

The Vice-President of the Association, Mr G. L. Barker, F.A.C.C.A., was unfortunately unable to attend, but the neighbouring Northern Counties Society was represented.

After refreshments and an opportunity for members and students to become acquainted, the meeting proceeded to discuss a programme of events for both members and students, and to elect the following officers:

President: Mr F. A. Callaby, F.A.C.C.A. (a member of the Council of the Association).

Chairman: Mr D. Appleby, A.A.C.C.A.

Committee: Messrs A. J. Alsop, C.B.E., J.P., F.A.C.C.A., R. A. Simmons, A.A.C.C.A., S. Smith, A.A.C.C.A., W. F. Sparks, F.A.C.C.A., H. A. Walker, F.A.C.C.A., A. G. Why, A.A.C.C.A.

Hon. Secretary: Mr G. H. Moody, A.C.I.S.

Hon. Auditor: Mr A. F. Dove, A.A.C.C.A.

Members and students of the Association interested in joining the Society are invited to communicate with the Hon. Secretary at 18 Bydales Drive, Marske-by-the-Sea, Redcar, Yorks (Telephone Redcar 4833).

THE INSTITUTE OF INTERNAL AUDITORS

Manchester Chapter

The next meeting of the Manchester Chapter of The Institute of Internal Auditors will take place on Tuesday, December 8th, at 7 p.m. in the Minorca Hotel, Wallgate, Wigan, when the speaker will be Mr J. O. Davies, F.C.A., A.C.W.A., Chief Internal Auditor, National Coal Board. The subject of Mr Davies' talk will be 'Management Control and the Internal Auditor'.

Inquiries regarding the chapter should be addressed to the honorary secretary, Mr F. Atherton, National Coal Board, King Street West, Wigan.

OFFICIAL RECEIVER APPOINTMENTS

The Board of Trade have announced the following Official Receiver appointments:

Mr Harry Roach has been appointed Official Receiver for the Bankruptcy Districts of the County Courts of Leicester, Burton-on-Trent and Derby in succession to Mr Walter William Jordan with effect from October 5th, 1964, and the appointment of Mr Harry Roach as an Assistant Official Receiver for the Bankruptcy Districts of the County Courts of Bradford, Dewsbury, Halifax and Huddersfield and also for the Bankruptcy Districts of the County Courts of Leeds, Harrogate, Wakefield and York has been revoked.

Mr Thomas George Denzil Levers has been appointed an Assistant Official Receiver for the Bankruptcy Districts of the County Courts of Leicester, Burton-up-Trent and Derby in succession to Mr William John Lewellyn with effect from October 8th, 1964. These changes are consequent upon the division of the Nottingham office in preparation for the opening of an office at Leicester.

Mr Henry Robertson has been appointed an Assistant Official Receiver for the Bankruptcy Districts of the County Courts of Leeds, Harrogate and Wakefield and the appointment of Mr Henry Robertson as an Assistant Official Receiver for the Bankruptcy Districts of the County Courts of Nottingham, Boston, Burton-on-Trent, Derby, Leicester and Lincoln and Horncastle has been revoked with effect from October 15th, 1964.

Mr Arthur Robert Threadgold has been appointed an Assistant Official Receiver for the Bankruptcy

Districts of the County Courts of Manchester and Salford with effect from October 26th, 1964.

The appointment of Mr Peter Wright as an Assistant Official Receiver for the Bankruptcy Districts of the County Courts of Cambridge, King's Lynn, Peterborough, Ipswich, Bury St Edmunds, Colchester, Northampton, Bedford, and Luton has been revoked. This revocation, which is consequent upon the transfer of the officer concerned, took effect on October 29th, 1964.

Mr Ian Macfarlane has been appointed an Assistant Official Receiver for the Bankruptcy Districts of the County Courts of Canterbury, Rochester and Maidstone, with effect from November 4th, 1964.

COURSES FOR MANAGEMENT

'The art and practice of investment', 'Classification and coding in industry and commerce' and 'Classification and coding of accounts' are the titles of three courses due to take place in London early next month.

The first course, which will be held on December 4th, will be presented by Mr William G. Nursaw, F.C.I.S., A.C.I.I., a member of the Council of The Chartered Institute of Secretaries, and is designed to provide an introduction to the field of investment. Among the subjects to be discussed will be 'Company reports and accounts', 'Sources and disposal of profit', 'Short- and long-term investing' and 'Fixed interest stocks and equities'. The second course, which will take place on December 8th and 9th, will set out to explain the many advantages which result from the installation in a business of a comprehensive and logical series of classified codes. Subjects will include 'Principles of classification', 'Construction of codes', 'Work in progress', and 'Codes for sales analyses'. The third course is to be held on December 10th and is intended for accountants, O. and M. officers and others responsible for the design and operation of accounting systems. Among the subjects to be covered will be 'Principles of classification', Application of accounts', 'Advantages of good design', 'Financial and cost accounts' and 'Results of good classification'. Comprehensive notes will be issued with each course and further particulars are obtainable from Management Courses Ltd, Albany Courtyard, Piccadilly, London W1.

CORRECTION

In the report of the annual dinner of the Northern Society of Chartered Accountants in last week's issue it was inadvertently stated that the toast of 'The Guests' was proposed by Mr H. D. Anderson, J.P., F.C.A. Unfortunately, Mr Anderson had been involved in a motor-car accident and in his absence the toast was proposed by the President of the Society, Mr D. B. Ward, M.B.E., F.C.A.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Results of Intermediate Examination held in September 1964

CERTIFICATES OF MERIT AND PRIZES AWARDED

First Certificate of Merit, the Institute Prize, the Stephens Prize and the Plender Prize for the paper on Book-keeping and Accounts II (equal with one other)
Waggott, Terence John (G. N. Fullagar), Liverpool

Second Certificate of Merit, the Tom Walton Prize, the Frederick Whinney Prize and the Plender Prizes for the papers on Book-keeping and Accounts I and Book-keeping and Accounts II (each equal with one other)
Ogle, Stephen Robert (D. D. Rae Smith), London

Third Certificate of Merit and the Plender Prize for the General Paper
May, Christopher John Rutton (D. B. Sharp), London

(The name shown in brackets is the name of the principal to whom the clerk has been articled. Where the name of the principal is not given the candidate is a former bye-law candidate of the Society continuing his qualifying service not under articles.)

Fourth Certificate of Merit and the Flight Lieutenant Dudley Hewitt, D.F.C., Prize
Suggett, Gavin Robert (V. A. Tudball), London

Fifth Certificate of Merit
Birnbaum, David Martin (S. M. Marks), London

Sixth Certificate of Merit
Khosla, Man Mohan (J. A. Hutchings), London
Smith, Roger Anthony Frederick (F. C. Roy), Worcester

Eighth Certificate of Merit
Dosani, Mohammed Arif (N. N. Sassienie), London

Ninth Certificate of Merit and the Plender Prize for the paper on Auditing
Hood, Roger Edmund (T. B. Blackburn), London

Tenth Certificate of Merit
England, Anthony David (D. M. Parkes), Bristol
McIsaac, Ian (W. T. Meigh), London
Plews, Michael Graham Kirk (N. A. Wheatcroft), Sheffield

Thirteenth Certificate of Merit
Arnold, John André (D. F. Webster), New Malden
Fawcett, Michael Ronald (W. F. Outhwaite), York
Gee, David Howard (M. E. Roberts), Leeds
Shonfield, John Kenneth Charles (W. R. Pugsley), London

Seventeenth Certificate of Merit
Rice, David Harvey (T. R. Marshall), Northampton

Eighteenth Certificate of Merit
Boyd, Robert Ian Walter (C. V. Best), London
O'Connor, Patrick Godfrey (G. H. Bennett), London
Roth, Brian Stuart (P. C. Susskind), London

Twenty-first Certificate of Merit and the Plender Prize for the paper on Book-keeping and Accounts I (equal with one other)
Cooke, Gerald Alan (J. B. Shepherd), Doncaster

Twenty-second Certificate of Merit
Mattock, John Clive (H. W. Sydenham), London

Twenty-third Certificate of Merit
Reeves, Peter Michael (F. Edwards), Stoke-on-Trent

Twenty-fourth Certificate of Merit
Clewley, Terence Leonard (E. Lord), Birmingham

Twenty-fifth Certificate of Merit
Davis, Peter Anthony (W. E. Parker), London
Gray, Philip David (J. L. Gleve), Wolverhampton

Twenty-seventh Certificate of Merit
Colbert, Denzil Lewis (W. H. Land), London
Endicott, Peter (R. Phelps), Bristol
Martin, Paul Arthur (E. C. Godfrey), Leicester
Reeve, John (D. N. Smith), London
Slater, Colin David (L. W. Hodgson), London

Thirty-second Certificate of Merit
Dixon, Reginald Peter (C. J. Jeffries), London
Durrant, Robert Mervyn (G. D. Levack), Bury St Edmunds

Thirty-fourth Certificate of Merit
Lochan, Frank Neville Carrington (D. E. Brewster), London
Mottershaw, Stuart Roger (J. G. Richmond), Sheffield
Waxman, Frank Stephen (C. S. Raine), London

Adams, D. W. (R. H. Jarritt), Bristol
Adams, J. M. (J. M. Hall), Solihull
Adams, T. L. (J. O. Hewitt), Leeds
Adesanya, S. A. (F. E. Winter), London
Adesioye, E. A. (A. Jefferson), London
Adetona, A. R. (N. C. Elliott), London
Adeyeye, K. O. (F. E. Winter), London
Adkins, M. R. (D. W. Moate), London
Agbebiyi, H. A. (W. R. McBrien), Hastings
Ahmad, I. (B. J. Butler), Oxford
Ahmad, M. I. (A. W. Toze), London
Ahmed, Y. S. (A. J. Hebblethwaite), London
Ainsworth, J. E. (A. C. Dixon), Sunderland
Airley, D. R. (D. W. Kilsby), London
Akhtar, M. H. (W. J. Lawrence), Basingstoke
Alam, C. M. (G. J. Spencer), London
Aldous, B. R. (R. H. Taylor), Bury St Edmunds
Alfry, P. J. (J. R. Paul), London
Ali, V. (J. J. Nunes Vaz), London
Allan, C. P. (R. Kirk), Hull
Allen, J. K. (S. Reynolds), Coventry
Allen, L. J. (T. C. Frankland), London
Allen, R. M. (J. G. Harper), Guildford
Allsop, J. R. (W. H. Oury), Slough
Allsop, M. J. (T. Pittom), Leicester
Allsopp, D. M. (B. Thomas), Sheffield
Almond, D. W. (B. A. Churchill), London
Almond, G. J. (C. A. Bartlett), London
Alsagoff, F. (A. G. Binder), Beaconsfield
Amor, J. S. (R. H. Jarritt), Bristol
Anderson-Hurst, J. H. (C. E. B. Thompson), Ipswich
Andrews, A. L. (I. Griffiths), Cardiff
Andrews, M. F. (A. J. Seal), Hounslow
Annal, D. G. (J. Carley), Gravesend
Anning, E. S. (D. L. Cullum), Plymouth
Anslow, D. K. (A. H. Chapman), London
Areh, M. O. (T. G. Gobat), Hereford
Armitage, J. (S. Hirst), Huddersfield
Arnold, J. A. (D. F. Webster), New Malden
Arratoon, C. P. G. (M. R. Frankel), London
Asafu-Adjaye, K. B. (L. R. Trill), London
Aslam, M. (D. C. Brotherton), Manchester
Aspinall, A. (J. A. Butterfield), Leicester
Astin, C. D. C. (T. Taylor), Llandudno
Atha, M. (M. J. Gillgrass), Leeds
Atkinson, D. M. (H. Squires), Dewsbury
Auger, P. W. (W. C. Peatey), High Wycombe
Austin, J. G. (E. J. Stokes), London
Austin, T. N. (J. Rowlandson), Swansea
Awan, M. R. (P. Messik), London
Awan, Q. S. (E. J. Fox), London
Aylwin, N. C. (F. G. Rollason), London

Bacon, R. W. (N. F. Stanley), Romford
Baig, Y. A. (J. L. Stevenson), London
Bailey, F. E. (E. H. Illingworth), Huddersfield
Bailey, R. J. (G. N. Roberts), Wolverhampton
Baistow, B. (A. Watson), Burnley
Baker, D. W. (R. H. Diaper), London
Baker, G. C. S. (R. A. Haigh), Leicester
Baker, P. C. (E. E. P. Maltby), London
Baker, R. H. (G. M. Dowrick), Colchester
Bale, D. G. (B. Cheaney), Kettering
Ball, P. J. (G. C. Ehlers), Bristol
Balme, F. J. (G. D. Verity), Bradford
Banham, E. A. (J. W. Pickard), London
Banks, A. J. G. (F. W. Charles), London
Bannister, J. R. (H. England), Portsmouth
Bannister, M. B. (R. H. Stewart), Manchester
Barker, D. A. (K. E. Davis), Enfield
Barker, G. H. (W. G. Lithgow), Southport
Barlow, C. J. (J. Allured), Manchester
Barlow, P. D. (B. E. Evans), Pontypridd
Barnet, B. (P. F. Friend-James), Brighton
Barrie, C. W. (E. Caldwell), London
Barton, J. C. (D. J. Fairhurst), Wigan
Bass, A. J. (G. H. B. Rowlinson), Cambridge
Bassindale, G. J. (A. J. Albury), Ashford, Kent
Bateman, E. C. H. (W. A. Hickling), Nottingham
Bates, R. A. (R. H. L. Herdman), Petersfield
Batten, P. V. (G. A. Raines), London
Battong, F. P. J. (V. T. Edmonds), London
Baxendale, B. M. (L. G. Fetzer), Newcastle under Lyme
Baylis, T. L. (H. F. Ware), London
Bazley, W. J. D. (R. H. T. Burgess), Exeter
Bean, J. C. (F. G. L. Askham), Southampton
Beard, R. J. (E. J. Woodhams), London
Beauprez, R. J. (J. P. Ogden), London
Beer, J. R. (Miss) (J. J. R. Sergeant), Nottingham
Bell, R. (E. H. Orford), London
Bellamy, M. G. (R. C. Copeman), Hull
Benbow, C. J. P. (W. J. Wadley), Malvern
Bennett, B. (J. T. Kinsley), Windsor
Bennewith, A. J. (A. N. Gillman), London
Bentley, D. M. (F. Bentley), Manchester
Berger, G. D. (I. L. Haffner), Manchester
Berman-Wald, M. K. (E. Noble), London
Berry, C. F. J. (M. A. Charlton), London
Bevan, S. V. (S. F. Phillips), London
Bhatt, K. R. (G. B. Yearsley), Manchester
Bhatti, A. A. (M. Lytton), London
Bhide, V. A. V. (R. K. Briscoe), London
Bibby, P. G. (T. D. Carnwath), Manchester
Bickerton, R. H. C. (H. J. Sargeant), West Hartlepool
Bidwell, R. C. (M. B. Nichols), Bristol
Biller, A. H. T. (A. V. Flather), Bradford
Bingham, J. H. (A. Wagstaff), Mansfield
Birch, D. W. (H. J. Ballam), Ipswich
Birchall, R. J. (J. Blane), Blackpool
Bird, D. C. (M. A. Philpot), Ipswich
Birnbaum, D. M. (S. M. Marks), London
Bithell, W. (G. B. Baxter), Warrington
Black, M. A. (S. Morris), Reading
Blackett, A. D. (Sir Thomas Robson), London
Blake, P. R. (B. E. Basden), London
Bloch, A. G. (G. P. Levy), London
Blundell, A. M. (W. G. Lithgow), Southport
Blyth, N. F. (G. A. Burtwell), London
Blythin, R. C. (G. S. Jackman), Chester
Boak, S. N. (G. H. Hoggard), Malton
Bolster, J. J. (W. E. Emms), London
Bomber, T. A. (A. C. S. Hordern), Birmingham
Boote, G. W. A. (R. C. Bladen), Stoke-on-Trent
Booth, J. W. (J. D. Britton), Nottingham
Borg, S. N. A. P. C. (D. W. Robertson), London
Borthwick, C. M. (M. A. Green), Horsham
Bose, P. K. (D. Warner), London
Bostock, N. S. G. (D. G. Richards), London
Bostock, R. (G. H. Hovey), London
Bouch, H. H. (E. Batty), Workington
Bowden, G. F. (A. J. Smee), London
Bowen, J. (B. D. Alexander), Maidstone
Bower, M. C. J. (F. T. Smith), London
Bowles, S. G. (J. A. Hume), London
Bown, S. E. (J. D. W. Marle), Bristol
Bowthorpe, J. R. (A. S. Hitchings), London
Bowyer, G. E. W. (R. W. Mason), London

Box, R. J. (G. E. Richards), London
Boyd, R. I. W. (C. V. Best), London
Boyland, R. M. (E. J. Roff), London
Brace, R. W. G. (A. Millichip), Swansea
Bradney, J. M. G. (D. G. Weston), London
Bradshaw, K. G. (S. B. Benbow), Birmingham
Braganza, M. A. (J. J. Nunes Vaz), London
Braithwaite, M. E. (G. C. B. Gidley-Kitchin), London
Braithwaite, P. G. (B. D. Muskett), London
Bralsford, J. M. (E. J. Simmonds), London
Brand, D. V. (K. W. Johnson), London
Breese, I. C. D. (G. N. Taylor), Newcastle upon Tyne
Brennan, P. J. (G. R. Deakin), Manchester
Brereton, A. (Miss) (J. F. Allen), Crewe
Brimacombe, M. W. (J. R. Baker), London
Briscoe, G. H. (J. M. Hunt), Lincoln
Broadbent, S. M. (Miss) (E. D. Sanders), Liverpool
Broadhead, M. R. (R. V. Garton), Huddersfield
Brogden, H. E. (A. Rigby), Manchester
Bromilow, D. B. (C. Murray), London
Brookes, J. R. (A. M. Cooper), Yeovil
Brooks, J. H. (A. E. Green), London
Broster, J. A. (J. D. Murphy), Watford
Brown, A. E. (H. L. Simpson), Huddersfield
Brown, A. J. (P. P. Russell), London
Brown, D. K. (A. H. Hamer), Hebden Bridge
Brown, G. M. (D. N. Williams), Birmingham
Brown, I. (H. Barnett), Manchester
Brown, M. G. (T. H. C. Amies), London
Brown, R. A. (F. Hall), Burton-on-Trent
Brownlie, M. P. (G. W. M. Phillips), London
Brownstein, I. J. (J. J. Nunes Vaz), London
Bryan, D. J. (J. M. Farraday), Bury
Bryce, J. K. (H. Robinson), Norwich
Bukhari, S. N. A. (S. Freeman), London
Bullworthy, G. A. (W. J. L. Clarke), London
Bunster, J. (E. Freedman), Leeds
Burns, B. F. (R. F. Hayllar), London
Burr, C. K. (J. R. Norris), Haywards Heath
Burrow, M. W. (K. G. Warriner), Leeds
Burrows, N. C. (Miss) (C. Pearson), Liverpool
Burt, P. W. (P. H. Champness), London
Burt, R. M. (D. T. H. Nicholson), London
Burton, R. S. (Miss A. C. Sheppard), Nottingham
Burton, S. P. J. (P. R. Goulder), Farnham
Busby, C. R. W. (T. C. Shiner), Grays
Butcher, M. (F. G. Lee), Ilkeston
Butler, J. (A. Marshall), Mansfield
Butterfield, P. C. (R. H. Wood), Bradford
Bye, R. J. (J. B. Burkett), Bristol

Caines, B. J. (W. F. C. Marwood), London
Callister, D. W. (D. H. Senior), Sheffield
Campbell, I. (C. J. Barlow), Liverpool
Campbell, J. H. M. (R. L. Latimer), London
Carey, M. D. (R. J. Cooper), London
Carpenter, T. E. (J. M. A. Gurney), Salisbury
Carroll, J. R. (J. S. Cobb), Kingston upon Thames
Carter, N. (H. A. Bainbridge), Liverpool
Cartland, J. B. (F. B. Proctor), London
Cartwright, L. J. (M. G. Lickiss), Bournemouth
Castle, P. J. (W. E. Chapman), London
Chamberlain, D. J. (A. C. Glennerster), Letchworth
Chamberlayne, M. T. (P. H. Jackson), London
Chan, P. C. (L. I. Briegal), London
Chan-A-Sue, P. A. (A. F. Clarke), Liverpool
Chanda, R. (E. H. Orford), London
Chandiok, A. (T. D. Jenkins), Dartford
Chapman, G. J. (H. J. Ryan), Newport, Mon
Chapman, R. A. C. (B. J. P. Cotton), London
Chapman, S. J. (S. Reynolds), Coventry
Charlton, M. (J. N. Wagstaff), Leicester
Chastanet, M. P. (T. R. Robinson), Sunderland
Chatrath, B. M. (H. W. Norman), London
Chauchard, L. N. G. (R. J. Radford), Peterborough
Chaudhri, N. I. (H. Wadie), London
Cheesbrough, D. (G. D. Paterson), Leeds
Child, H. (K. B. Jefferies), Cardiff
Childs, M. P. (K. Smith), Mansfield
Chinchen, R. (L. H. Lyth), Hastings
Chisholm, B. R. (A. C. Vause), London
Chohan, N. A. (L. C. Williams), Manchester
Chowdhury, M. A. G. Q. (B. A. Burke), London
Chui, C. K. (N. L. R. Trounce), Manchester
Clancy, T. (F. G. Ashton), Leicester
Clark, D. H. (V. D. Wykes), London
Clark, M. R. (W. E. Quance), Birmingham
Clark, M. S. (Miss) (A. P. Mills), London
Clarke, B. P. (P. H. Dyer), Bristol
Clarke, C. M. (T. R. Watts), London
Clarke, D. (D. J. Hadfield), Liverpool
Clarke, G. (A. Clarke), Manchester
Clarke, G. M. (J. E. Holland), Heanor
Clarke, J. G. (D. Oakes), Liverpool
Clarke, R. J. (K. Johnson), Leicester
Clarkson, J. C. (S. W. Telfer), Newcastle upon Tyne
Clatworthy, B. J. (E. T. Worsley), Birmingham
Clayton, A. J. H. (K. A. Fossey), Leeds
Cleaver, M. S. (E. F. Wilkins), London
Clewley, T. L. (E. Lord), Birmingham
Clissold, A. (H. W. Richards), Birmingham
Clough, R. S. (J. C. Boyce), Bradford
Clutterbuck, J. (R. McNeil), Hove
Coate, P. E. (Miss) (R. H. MacIntyre), London
Colbert, D. L. (W. H. Land), London
Coldwell, D. J. (A. M. Walker), London
Cole, B. A. (K. N. Hawkins), London
Cole, M. G. (T. R. Hoddell), Nuneaton
Cole, M. M. (E. Miskin), London
Colin, M. (S. C. Silverman), Manchester
Collacott, P. B. (J. Mearns), London
Colledge, D. J. W. (H. C. Day), Chesterfield
Collet, R. T. (I. G. Watt), London
Collins, M. J. (M. W. Wood), Birmingham
Comber, A. (F. K. Berry), Maidstone
Combes, R. G. (D. H. Ortmans), London
Compton, A. S. (R. G. Leach), London
Conron, P. A. (E. Tootle), Wigan
Conte, M. A. (W. D. Corkish), Liverpool
Cook, K. A. (A. Darvill), Slough
Cooke, A. D. (J. S. Page), London
Cooke, G. A. (J. B. Shepherd), Doncaster
Cooke, R. M. (R. Garner), Twickenham
Cooper, J. M. (J. B. Neame), Canterbury
Cooper, P. G. (P. W. Lane), Waltham Cross
Cooper, P. S. (J. A. Hutchings), London
Cooper, R. H. E. (T. G. Threlford), London
Copus, M. A. (Miss) (F. Jeffery), Derby
Corpe, A. J. (A. A. Marriott), London
Cottingham, D. W. (B. Swindells), Uckfield
Coulcher, C. (H. A. T. Goodfellow), London
Court, J. M. (P. A. C. Vincent), London
Courtenay, R. I. (G. S. Norris), Manchester
Courtman, D. C. (D. McL. Hamilton), London
Coustan-Smith, R. (W. E. Mason), Derby
Cowan, M. L. (M. A. Braham), London
Coward, A. S. (J. C. Fowler), Birmingham
Cowper, C. R. (M. A. B. Jenks), London
Cox, A. N. (M. C. Stothert), Bournemouth
Coyle, N. K. (N. Foulger), London
Crafter, M. E. (Miss) (L. Senior), Leeds
Cranston, J. M. (C. H. S. Lewis), London
Cravos, P. T. (A. W. Phillips), Cardiff
Crawford, K. A. J. (A. Harris), London
Crawley, I. A. J. (R. E. Jones), Liverpool
Creasey, P. S. (P. Lynn), London
Crees, T. D. M. (T. W. A. R. Auker), London
Crichton, R. N. (J. J. Walker), London
Cridland, A. R. (R. F. George), London
Crossley, K. N. (R. Crozier), Manchester
Crowther, D. S. (J. O. Hewitt), Leeds
Crowther-Alwyn, P. (J. R. Moyle), Ipswich

Crystol, B. M. (A. A. Davis), London
Cuby, S. S. (L. H. Fink), London
Cullen, J. S. (W. Sunderland), Keighley
Culley, D. D. (A. E. Bayliss), London
Curtis, D. J. (R. F. George), London
Cushion, K. R. (G. A. Raines), London
Cutts, A. P. (P. J. Gould), Sheffield
Cutts, B. A. (L. A. Cox), London

Dack, F. E. (B. W. Rivett), London
Dahlan, A. H. B. H. (C. A. Black), London
Dainty, L. (J. Rafferty), Cannock
Dalby, B. (J. B. Harrison), Grimsby
Dalby, C. M. (A. G. Bragg), Birmingham
Dale, J. M. (C. R. Shakespear), Redditch
Dale, R. E. (C. Collett), Newcastle upon Tyne
Dann, P. (D. Butler), Cambridge
Darley, P. H. (W. H. Hall), Hull
Darwood, M. B. (J. N. Wagstaff), Leicester
Dastur, B. M. (S. H. Marcus), London
Davies, J. C. (R. B. Jones), Colwyn Bay
Davies, J. M. (T. A. Clark), Wrexham
Davies, T. A. P. (D. B. Whittingham), Shrewsbury
Davies, V. A. (L. R. Hall-Strutt), London
Davies-Colley, J. A. (E. Rawcliffe), Blackpool
Davis, C. S. (B. A. Schanschieff), Northampton
Davis, J. C. (H. F. Mathews), London
Davis, P. A. (W. E. Parker), London
Davis, P. C. (F. G. Rollason), London
Davison, A. J. (B. W. Vincent), London
Dawes, G. K. (C. B. Brecknock), Nottingham
Dawes, H. B. (O. Couse), Birmingham
Daws, R. G. (F. R. Coad), London
Dawson, A. R. (M. Price), London
Dean, K. (E. Hodgkinson), Accrington
Dearing, R. S. (L. J. D. Jones), London
Delaney, P. J. (J. R. Philp), Liverpool
Dellar, J. H. (J. Hillier), Luton
Demack, J. G. (R. D. Thornton), Preston
Denham, R. W. (D. F. Byrne), Kingston upon Thames
Denman, D. F. (M. A. Wren), Southend-on-Sea
Densem, R. G. (R. Saville), Stoke-on-Trent
Denton, J. I. (C. Smith), Sheffield
Dewshi, M. A. M. (I. R. McNeil), Hove
Dickinson, E. (A. B. MacIldowie), Manchester
Dillon, P. M. (R. B. Sellers), Preston
Diston, S. J. (F. A. Walker), Birmingham
Dixon, J. B. (E. J. Newman), Birmingham
Dixon, N. D. (C. W. Bingham), Nottingham
Dixon, R. P. (C. J. Jeffries), London
Dobrin, A. P. (E. M. Kevehazi), London
Dobson, C. (J. L. Winder), Barrow-in-Furness
Dobson, G. J. (J. B. Longbottom), Harrogate
Dodge, P. M. (F. R. Flowers), Leicester
Doe, P. J. (R. W. Barrow), London
Doherty, M. E. (R. L. Dunlop), London
Done, M. J. (W. G. Densem), London
Dorey, W. F. (E. J. Wilson), London
Dosani, M. A. (N. N. Sassienie), London
Douce, J. T. (R. Ravenscroft), Birmingham
Dowden, V. A. (C. Swonnell), Newcastle upon Tyne
Down, L. E. (P. J. Waghorn), London
Downes, G. J. (D. R. P. Baker), London
Downing, D. M. R. (R. Brooks), London
Downs, R. E. A. (W. R. Dean), Stafford
Dressler, M. D. J. (G. R. Schofield), Bournemouth
Druce, G. H. N. (J. F. Jee), Coventry
Drury, G. R. (G. Cowcher), Gloucester
Duerden, A. (D. J. Evans), Colne
Duffield, G. J. (J. E. Watterson), Ely
Dundas, K. N. M. (F. D. M. Lowry), Liverpool
Dunn, S. (A. P. Roberts), Birmingham
Dunseath, N. R. (R. S. Rowland), London
Dunton, B. (A. Pennington), London
Durrant, R. M. (G. D. Levack), Bury St Edmunds
Dutchman-Smith, J. S. (W. L. Wyatt), Manchester
Dyer, S. (A. D. Gordon), London
Dymond, R. M. (E. E. P. Maltby), London

Early, J. D. (T. R. Shenton), Blackpool
Edgar, J. A. (J. A. Edwards), Manchester
Edgell, J. W. F. (M. B. Nichols), Bristol
Edie, G. W. (G. H. Barnard), London
Edley, R. P. (S. Jones), Sheffield
Edmonds, W. G. (G. Morgan), London
Edmondson, S. J. (D. J. Middleton), Colne
Edwards, K. (W. E. Roberts), Stockport
Edwards, N. D. (K. R. Colman), London
Edwards, S. I. (I. W. Welsh), Birmingham
Egemonye, V. A. (D. P. Harris), Loughborough
Eldridge, R. A. (W. G. Adams), London
Elia, F. D. (J. H. Bartley), Cardiff
Elliott, M. J. (C. N. Starbuck), Birmingham
Ellis, A. St. J. (J. Owen), Leeds
Ellis, H. D. S. (L. C. Coe), London
Ellison, H. F. (M. Berman), London
Embrey, J. D. (O. Couse), Birmingham
Endicott, P. (R. Phelps), Bristol
England, A. D. (D. M. Parkes), Bristol
Ennis, I. A. (W. A. T. Matheson), London
Erdal, H. (R. G. Leach), London
Essex, C. R. (M. A. B. Harrison), London
Evans, M. (J. E. Park), London
Evans, M. N. G. (D. C. Brotherton), Manchester
Ewen, W. G. B. (J. H. M. Flew), London
Eyre, D. (L. A. Pollard), Bournemouth

Fairbank, D. O. (C. P. Spencer), Halifax
Fairholm, D. V. (J. Cashmore), Nottingham
Farrow, J. R. (J. S. Notley), Newport, Mon
Farrow, R. A. (D. G. Langford), Newport, Mon
Fass, S. I. (H. M. Thei), London
Fawcett, M. R. (W. F. Outhwaite), York
Feast, J. A. (M. Peters), London
Fenn, B. K. S. (H. B. Cookson), Birmingham
Fensome, R. J. (L. H. Lesser), Southend-on-Sea
Fernando, P. T. S. (J. V. Crump), London
Ferris, T. A. (J. A. Brett), Woking
Filmore, D. C. (L. Hodgkinson), Bradford
Firth, G. J. (R. L. Wells), Hounslow
Fletcher, D. C. (M. H. Turner), Ipswich
Fletcher, J. D. (G. A. Raymond), Tunbridge Wells
Fletcher, M. G. (F. M. Kellett), Newcastle upon Tyne
Flynn, M. J. (M. Berley), London
Folley, K. (J. F. Worsley), Burnley
Fone, W. J. (E. T. Wood), London
Forman, S. J. (G. G. Rhodes), London
Forrest, A. T. (K. H. Oates), London
Forrest, T. J. (P. A. Bayliss), London
Foster, E. C. (H. W. Bagge), London
Fowler-Tutt, G. (W. B. Chapman), Brighton
Fox, N. J. (N. W. Murray), London
Fox, P. J. (G. D. Paterson), Leeds
Fox, R. B. (P. C. Greenwood), Reading
Fox, S. R. (H. C. Cox), Manchester
Foxon, J. C. (C. M. Foxon), Nottingham
Frampton, D. J. (M. C. Stothert), Bournemouth
Francis, C. F. (S. P. Smith), Burnley
Franklin, C. E. (H. E. Hassell), London
Fraser, R. J. (K. Johnson), Leicester
Freear, J. (P. L. F. Grant), Manchester
Freedman, N. R. (P. C. Susskind), London
Freedman, S. (R. Kay), Manchester
Freeman, E. A. (S. Porter), Southend-on-Sea
Freeman, K. M. (R. T. Walters), London
Freeman, M. (J. Lamb), Newcastle upon Tyne
Frost, W. (M. A. Foulds), Nottingham
Fry, R. W. (C. A. Chapman), London
Fullerton, K. (H. G. Pinner), Oldbury

Gabriel, D. F. (W. K. Wells), London
Gadsden, M. J. (M. J. Blackburn), London
Gan, T. H. (D. Glazer), London
Gant, I. T. (O. Furnival-Jones), London
Garnier, M. F. (D. H. Barnes), Norwich
Garran, A. A. (P. H. Jackson), London
Garvin, M. J. M. (T. R. T. Bucknill), London
Gater, G. (M. S. Owen), Blackpool
Gathorne-Hardy, H. (G. C. Peat), London
Gee, D. H. (M. E. Roberts), Leeds
Gee, S. T. (M. B. Nichols), Bristol
Ghose, A. (A. S. Langford), Manchester
Ghose, S. K. (M. D. Green), London
Ghosh, A. K. (J. A. Bearman), London
Gibbs, J. C. (Miss) (A. L. H. Ball), Bournemouth
Gibbs, P. D. E. (G. M. C. Crowder), London
Gibney, L. D. (T. A. Wyatt), Bath
Gibson, J. M. (Miss) (B. G. Counsell), Cleveleys
Gibson, T. C. (M. Moore), London
Giffen, M. (M. R. A. Jackson), Manchester
Giles, A. P. G. (P. D. Jones), London
Gill, J. A. S. (W. G. Densem), London
Gillett, R. A. (R. C. Barlow), Bournemouth
Gilling, R. L. (E. Painter), London

Gladwin, J. L. (W. E. Chapman), London
Glaser, K. M. (C. A. Leat), London
Glazier, J. M. (F. W. Carter), Manchester
Goddard, H. (T. A. Macfarlane), Liverpool
Goddin, T. P. J. (J. R. Mead), Coventry
Goldberg, B. J. (E. R. Thompson), Manchester
Goldberg, R. L. (B. Keane), London
Golding, R. W. (R. J. A. Fogg), London
Goldman, A. L. (I. R. Kendall), Birmingham
Goodhind, R. E. N. (R. G. Copping), London
Goodman, B. V. (E. J. Stone), London
Goodsell, J. M. (R. T. Wrieden), London
Goodwin, G. R. (J. A. Brett), Kingston upon Thames
Gordon, L. M. (D. J. Hay), London
Gotfried, K. R. (B. E. Shedel), London
Gould, H. (R. V. Bell), London
Gowers, A. M. (P. W. P. Knowles), London
Gracie, L. J. (Miss) (H. V. Knight), London
Graham, D. H. (J. E. Jackson), Kendal
Graham, T. B. (E. V. G. Allcoat), Wisbech
Grant, M. J. G. (M. K. Down), London
Grant, P. J. (R. G. Tilley), London
Grant, R. J. (H. G. Ayres), London
Gravestock, P. S. (F. G. Batty), West Bromwich
Gray, P. D. (J. L. Gleve), Wolverhampton
Graydon, F. A. (N. Dunn), Newcastle upon Tyne
Grayson, D. A. (E. M. Fraser), Newbury
Greatorex, D. A. (N. B. Danbury), London
Green, D. M. E. (J. T. Williams), St Austell
Greenhalgh, M. (D. L. Chaplin), Manchester
Greenhalgh, M. E. (F. S. Moore), Manchester
Greenwood, K. A. (H. Kirkby), Bradford
Gregory, R. P. (H. Keate), Manchester
Grierson, R. Mc. (D. Bryant), Sheffield
Griffin, C. E. (V. C. Baker), London
Griffin, D. S. (C. Boase), Liverpool
Griffin, R. S. (D. J. Lowe), Liverpool
Griffiths, A. N. C. (R. M. Peat), London
Griffiths, C. D. (J. O. M. Williams), Cardiff
Griffiths, D. H. (A. F. P. Watts), Dover
Groundwater, T. S. (W. A. Shaw), Leeds
Groves, H. J. (Miss) (C. R. Spencer), Dudley
Groves, P. W. (F. O. M. Smith), London
Gubbay, J. M. S. (R. Cooper), London
Guest, A. G. (A. G. B. Drabble), London
Guest, P. N. (J. M. Freeman), Newbury
Gulliver, C. R. (J. D. Russell), London
Gunaratnam, M. (E. T. Green), London
Gunn, I. H. A. (A. C. C. Oddie), Bristol
Gwinnett, J. H. (P. T. Neal), Birmingham
Gwynne, N. M. (W. W. Ward), London

Hadley, M. J. (L. J. Evans), Liverpool
Hahnel, T. (B. J. Randerson), Leeds
Halcrow, J. R. P. (J. H. Mann), London
Hale, R. (G. W. Percival), Birmingham
Hall, G. C. (E. Catherall), Chester
Hall, J. S. (R. W. C. Dunn), Birmingham
Hall, R. G. (V. F. Berry), London
Hall, S. D. (R. H. Goddard), London
Hallam, R. J. (W. R. Ball), Nottingham
Halson, M. L. V. (N. F. Trayler), Bognor Regis
Hameed, T. (F. A. Harris), London
Hamer, R. (J. M. Richards), Bradford
Hamilton, A. C. (J. E. K. Clarke), London
Hammond, C. R. (S. Porter), Southend-on-Sea
Hammond, D. G. (G. H. Down), Swansea
Hampton, R. A. (T. Barnard), London
Hancox, J. P. D. (E. N. Macdonald), Liverpool
Handley, P. J. W. (H. M. Pepper), Walsall
Hanison, N. (J. L. Turner), London
Hannay-Wilson, J. R. H. (J. F. Pashley), Newcastle upon Tyne
Haque, M. A. (F. R. Ince), London
Haque, M. Z. (W. A. Chapman), London
Harber, L. C. (G. H. Kingsmill), Swindon
Harding, D. L. (D. L. Greenwood), London
Harding, R. J. (V. A. Tudball), London
Harding, S. J. (G. H. P. Laban), Harrow
Hare, J. L. R. (C. E. Corney), Birmingham
Hare, T. A. (E. Lord), Birmingham
Harris, J. A. (B. Keane), London
Harris, J. H. (R. A. C. Norris-Jones), London
Harris, M. C. (G. A. Smith), London
Harris, R. A. (W. Griffiths), London
Harris, R. T. (S. Goldwater), London
Harrison, D. W. S. (R. W. Cox), Nottingham
Harrison, J. M. C. (G. F. K. Morgan), Cardiff
Harrison, R. G. (J. M. Hunt), Lincoln
Hart, T. R. O. (A. Punchard), London
Harvey, D. A. P. (W. B. S. Walker), London
Harvey, P. H. (E. Hurndall), London
Harvie, M. P. (W. E. C. Offer), Oxford
Haslock, C. G. (D. Armitage), Leeds
Hasseldine, R. H. J. (K. Aves), Hatfield
Hassell, J. C. (D. R. Clack), London
Hasslacher, A. R. R. (J. E. MacSwiney), London
Hatton, C. (W. E. S. Hooper), Southport
Hawes, D. M. (A. T. Spittle), London
Hawkins, B. S. (M. G. R. Keeling), London
Haxby, D. A. (R. C. G. Tibbles), London
Haydon, L. R. (G. E. S. Twist), Birmingham
Hazel, P. J. C. (A. Parker), London
Hazelwood, D. R. (P. Cooper), Newcastle upon Tyne
Head, D. M. (A. M. Walker), London
Heald, J. A. (N. J. Williams), Warrington
Hearty, P. (E. G. Bresnan), Liverpool
Hefford, K. (J. F. Tyson), Morecambe
Hegan, G. F. (F. W. Charles), London
Helliwell, P. A. (J. D. Ayrton), Halifax
Herald, A. N. (B. R. Cahill), Leeds
Heritage, D. H. (W. Saxelby), London
Heslop, C. B. (S. J. Chubb), London
Hetherington, G. W. (F. H. Pledge), London
Hewson, C. J. (J. B. Fletcher), Hull
Hibberd, G. S. (W. N. Chick), Nottingham
Hickman, J. B. (N. R. Barton), Wigan
Hill, J. H. (O. L. N. Chambers), London
Hill, J. R. (J. S. Lake), London
Hillman, P. J. (R. J. F. Slipper), London
Hinton, F. H. N. (S. V. P. Cornwell), Bristol
Hoare, J. R. (J. H. F. Radford), Southampton
Hockey, P. J. (F. L. Cooke), London
Hodder, D. R. (R. E. Sale), Gloucester
Hodson, R. E. (F. A. Stewart), Chesterfield
Hodson Mackenzie, A. M. (G. H. Vieler), London
Hogben, M. A. (J. B. Ransome), London
Holder, M. J. (H. S. R. Harrison), Redditch
Holland, M. (R. G. Hawkes), London
Holland, M. E. (R. G. Chandler), Northampton
Holland, P. (H. Hudson), Dudley
Holland, R. C. (K. B. Cole), Sleaford
Holmes, M. A. (C. W. Gillott), Nottingham
Holmes, P. R. (A. C. Coe), Skipton
Holmes, T. J. (G. H. Cann), London
Hood, F. (C. R. Warman), London
Hood, R. E. (T. B. Blackburn), London
Hool, P. H. (R. J. Ford), Maidstone
Hooton, J. E. (R. W. Cox), Nottingham
Hopkins, L. B. (H. R. V. Riley), Derby
Hopkinson, A. R. (S. P. Wilkins), London
Hopson, K. (A. E. Scott), London
Horner, P. (J. N. Rogers), Liverpool
Horner, S. W. (H. W. C. Airey), London
Hosangady, R. M. R. (P. H. Benedict), London
Hostombe, R. E. (K. H. Littlewood), Sheffield
Hounsell, C. J. (J. W. Margetts), London
Howard, I. (H. Keate), Manchester
Howard, J. (F. J. Frodsham), Liverpool
Howson, M. R. (M. B. Browne), London
Hozier, B. C. (P. Holliday), London

Hughes, D. (P. D. Rabjohns), Worcester
Hughes, I. V. (W. J. Newton), Birmingham
Hughes, R. J. W. (G. W. Harrison), Wolverhampton
Hughesdon, J. S. (J. W. Margetts), London
Hulme, D. J. M. (W. F. Masters), London
Humpage, C. J. (C. E. Polak), London
Humphrey, J. K. G. (Miss) (A. J. Langridge), East Grinstead
Humphreys-Davies, M. (F. B. Proctor), London
Humphries, M. J. (R. A. Withey), Bristol
Hunter, M. S. (C. J. Wall), Hastings
Hurley, R. (K. F. Kinnear), Walsall
Hurst, M. R. (J. M. Cartwright), London
Hurst, R. M. (N. G. Trotter), Newcastle upon Tyne
Hussey, T. J. (D. W. Gibson), London
Hutchinson, A. (Miss) (J. V. Baines), Stockton-on-Tees
Hutchinson, A. F. (M. S. Barker), London
Hyder, M. A. (G. Stockwell), Cardiff

Imison, P. (L. J. Sparshott), Birmingham
Ince, R. A. H. (Miss) (J. H. Sterland), Cambridge
Ingall, D. A. (E. C. Griffith), Watford
Ingham, J. S. (R. Plummer), London
Ingram, P. J. S. (T. C. Walker), Jersey
Irwin, R. W. (J. S. Harrison), Leeds

Jackson, J. H. (C. F. M. Hawkins), Bristol
Jackson, R. M. (C. J. Mason), Birmingham
Jackson, R. M. L. (N. J. Masterton), Birmingham
James, A. (T. P. Coatsworth), London
James, S. S. (L. C. Hopkins), Hemel Hempstead
Jarratt, A. H. (A. E. Wilkinson), Nottingham
Jarvis, J. M. (L. J. Ive), London
Jarvis, W. A. (W. E. R. Short), Liverpool
Jayawardene, P. C. N. (R. Marks), London
Jebson, M. J. (M. Naylor), Blackpool
Jenkin, F. M. (J. Lovell), Penzance
Jenyns, R. G. (J. R. Wells), London
Jerram, J. J. (E. E. P. Maltby), London
Jesani, M. G. (P. G. Hounsfield), London
Jhumra, M. M. A. (R. I. Pooles), Richmond, Surrey
Joannides, C. C. (J. H. Wilson), London
Johansen, P. A. (W. B. S. Walker), London
Johns, R. T. M. (D. F. Pratten), London
Johnson, D. A. (P. Hale), London
Johnson, G. T. (E. Tootle), Wigan
Johnson, H. (D. E. F. Relph), Preston
Johnson, J. M. (A. J. Lovatt), Peterborough
Johnson, S. R. (L. F. Durman), London
Johnston, T. C. (D. Bolton), Manchester
Jolley, J. F. (B. S. Pullan), Leeds
Jones, C. W. (C. M. Taylor), Leicester
Jones, D. A. (J. M. Pitts), Birmingham
Jones, D. C. (P. R. Johns), Yeovil
Jones, E. A. (Miss) (C. Phizackerley), Chelmsford
Jones, K. S. H. (E. A. Fern), Coventry
Jones, L. F. (A. W. McBride), Middlesbrough
Jones, P. R. (L. H. Rattenbury), London
Jones, P. W. (P. G. Walker), Warrington
Jones, R. M. (A. C. Falkner), London
Jones, T. A. (J. Sutton), Stockport
Jones, W. S. (J. E. Hayes), Leigh
Jordan, D. F. (G. H. Cann), London
Joseph, R. L. (H. M. Lepper), Northampton
Joseph, T. (S. C. Selwyn), London
Jowett, J. L. (L. D. Hayward), Liverpool
Judd, A. F. (R. M. Field), London
Juniper, B. D. (W. S. Godfrey), London

Kalman, J. P. (N. Libson), London
Kamalia, M. M. (H. J. Patience), London
Kandawalla, D. (B. D. Barton), London
Kandler, G. M. (M. W. Burns), London
Kapoor, P. N. (J. N. McKenzie), Birmingham
Karamat-Elley, K. P. (I. Hunter), St Helens
Karimjee, Z. E. T. (G. C. Henry), London
Kazi, A. J. (B. Garbacz), London
Keane, J. C. (J. T. Corbett), London
Keane, P. H. (D. M. H. Jones), Newport, Mon
Kearns, N. A. (D. L. Shaw), London
Keasley, J. M. (S. W. Cox), Croydon
Keats, L. M. (J. M. Walker), London
Kedge, R. J. (A. A. Davies), Birmingham
Keeble, M. E. (C. W. Smith), Ipswich
Keeley, C. A. (O. C. Tidbury), London
Keeling, R. J. (D. A. Wild), Manchester
Keen, N. G. (B. Waddington), York
Keller, K. C. (E. L. Langton), London
Kelsey, R. (L. H. Andrews), Horsham
Kemm, H. E. (G. D. Paterson), Leeds
Kemp, R. P. (W. Scott), London
Kempton, C. H. (F. J. Thompson), Exeter
Kendall, S. M. (B. N. Brooks), Sheffield
Kennedy, A. J. (I. F. D. Hill), Liverpool
Kennedy Scott, N. C. (H. O. H. Coulson), London
Kent, S. A. D. (R. Keene), London
Kerner, S. M. (I. G. de Mesquita), London
Kershaw, J. F. (A. P. Hanley), Sale
Kester, B. D. (M. Walters), London
Kester, J. P. (D. A. Huggons), London
Keyworth, R. M. J. (I. Johnson), London
Khalid, Z. (J. F. Shearer), London
Khan, A. J. (D. E. Dancer), London
Khan, M. Y. (J. A. Rathmell), London
Khan, T. A. (F. J. Hammond), London
Khanna, A. R. (J. C. Hunter), London
Khoo, K. W. (A. J. Knox), London
Khosla, M. M. (J. A. Hutchings), London
Kiddle, G. C. O. (K. Johnson), Leicester
Kilsby, R. W. (H. A. Sudell), London
Kimpton, J. E. C. (P. Cross), Southampton
Kirkpatrick, M. D. (H. G. Daniels), Redhill
Kittle, R. L. (H. K. S. Clark), London
Kloer, J. P. (J. E. Critchley), Oxford
Knapton, A. J. (K. Trickett), Sheffield
Kneill, M. A. (J. V. Eastwood), Manchester
Knight, D. (H. H. Thornborough), Enfield
Knight, J. A. (F. H. Richardson), Derby
Kohn, T. (Miss) (J. Kimche), London
Krailing, J. K. B. (A. W. Coleman), London
Krishnaswamy, S. (I. S. Watchorn), London

Lacy, M. A. (Miss) (D. J. Stew), Witney
Lager, M. C. M. (J. P. C. Richardson), London
Lambert, J. R. (J. M. E. Ravenscroft), Maidstone
Lancashire, J. H. (G. Bispham), Oldham
Lane, T. R. (M. Benjamin), London
Langdale, P. M. Y. (C. H. S. Lewis), London
Langman, D. T. (A. S. Price), Leicester
Lattimer, G. D. (F. Potts), Wigan
Lavers, R. J. (W. O. Newcomb), London
Lavery, K. B. (E. E. P. Maltby), London
Law, I. R. M. (D. D. Rae Smith), London
Lawless, P. J. (A. J. Ayling), London
Laws, M. F. (C. Howson), Stoke-on-Trent
Lawson, C. B. F. (R. S. Lucas), Kidderminster
Layton, E. C. (J. R. Train), London
Lazarus, L. S. (G. G. Rhodes), London
Leach, T. (J. B. Ellis), Buxton
Leacock, A. E. (K. H. Fisher), London
Leadbeater, D. J. (A. Brown), Wilmslow
Leaf, M. J. (M. H. Leighton), London
Leake, W. A. (H. A. H. King), Brecon
Leatherland, K. (Miss) (G. M. Carrick), Newcastle upon Tyne
Leavy, C. F. (Miss) (W. R. Ward), London
Lee, D. N. (K. A. Buxton), Nottingham
Lee, H. R. S. (J. Barrett), Leeds
Lees, D. A. (B. A. S. Soole), London
Lent, J. A. (W. R. Malvern), London
Lenz, M. A. (B. Garbacz), London
Lepard, N. (A. G. H. Marks), London
Lewis, B. E. (I. G. Booth), London
Lewis, M. K. (C. V. Miles), Cardiff
Lewys-Lloyd, J. C. (G. R. Leece), Liverpool
Leyland, L. M. (Miss) (R. A. Holden), Blackburn
Liddiard, S. P. (D. Browning), London
Liddle, G. J. (T. C. Frankland), London
Lidgate, P. M. (B. S. Jenkins), Chester
Liebig, E. F. (H. J. Wells), London
Lim, K. J. (E. R. Gunn), London
Lindsey-Renton, A. P. (J. P. Grenside), London
Lipman, B. G. (A. A. Nyfield), London
Livingstone, A. (J. W. Greenwood), Preston
Llambias, D. E. J. (F. W. Berringer), Bromley
Llewellyn, W. J. (F. M. Forster), Newport, Mon
Llewelyn, J. D. (H. B. Singer), Bridgend
Lochan, F. N. C. (D. E. Brewster), London
Lock, R. A. (J. H. Sisson), London
Lofthouse, J. S. (S. Croudson), Leeds
Longford, P. (J. P. Pearce), Derby
Lord, C. J. (A. F. Pownall), Liverpool
Loring, C. T. (E. Hewitt), London
Lovett, J. C. (L. O. Ross), London
Low, S. P. G. (Miss) (K. F. Paine), London
Lowde, K. R. D. (H. W. C. Airey), London

Lowe, N. F. (J. F. Hendre), London
Lowe, T. P. (J. G. Harrison), Nottingham
Lowrey, T. W. (J. K. Robinson), Workington
Lucas, A. P. (N. R. Barton), Wigan
Lufta, M. S. (J. B. Jones), Manchester
Lunn, D. (E. W. Creasey), Spalding
Luqmani, A. A. (E. L. Lees), London
Luscombe, R. W. (Sir Thomas Robson), London
Lutley, E. J. (M. F. Andrews), Bristol
Luxford, B. M. (B. O. Chilver), London
Lyle, C. A. (J. E. Grande), London

Macci, H. O. (F. Yarwood), Horley
Macdonald, N. M. (W. A. Hand), London
Macdonald, R. A. (J. W. Margetts), London
MacDougall, P. L. (E. E. P. Maltby), London
McGowan, B. D. (M. K. Down), London
McGrory, I. R. C. (P. M. S. Longcroft), London
MacIntosh, K. (A. J. Langridge), East Grinstead
McIsaac, I. (W. T. Meigh), London
MacKay, A. J. (J. R. Wells), London
Mackenzie, D. S. G. (J. F. Holroyd), Liverpool
Mackenzie, R. M. (D. J. Swales), London
MacKinney, D. E. (N. D. Millett), Richmond, Surrey
McLauchlan, M. E. (Miss) (D. J. Ironside), Bristol
McLean, M. (R. A. Squires), Birmingham
McManus, P. C. (J. Astle), Leeds
McNeil, I. L. C. (C. Collett), Newcastle upon Tyne
McNeill, M. (W. Bell), Bolton
McPherson, K. R. (H. S. Lucas), London
MacWhirter, S. B. (E. R. Nicholson), London
Madan, J. (H. E. A. Rolt), London
Maddison, K. (F. L. Gower), Ipswich
Mains, C. R. (R. L. Wade), Middlesbrough
Majid, K. (J. Bowman), London
Majiyagbe, D. B. A. (Miss) (A. Jefferson), London
Majumdar, K. (J. Chilton), London
Malik, J. A. (L. Marks), London
Mallabon, R. J. (I. W. Welsh), Birmingham
Mann, P. F. (J. A. P. Whinney), London
Mannan, A. (J. Wise), London
Markham, R. (D. B. Shaw), Sheffield
Marsh, A. (D. E. B. Bradbury), Chesterfield
Marsh, P. (W. A. Barnard), Fareham
Marshall, R. C. (R. F. Prior), Nottingham
Martin, C. D. (R. J. Butterworth), London
Martin, G. G. (R. St J. Buller), Bedford
Martin, P. A. (E. C. Godfrey), Leicester
Martin, P. R. S. (J. Rowlandson), Swansea
Mason, M. G. (R. J. Cody), London
Masters, B. J. (A. S. Hill), Coventry
Matthews, R. N. (R. E. A. Parker), London
Mattock, J. C. (H. W. Sydenham), London
Maugham, A. B. (R. Gronow), Wolverhampton
Maullin, S. D. (H. A. Smith), Birmingham
May, C. J. R. (D. B. Sharp), London
May, D. W. B. (J. B. Bullivant), Leicester
Mayes, R. J. (L. W. Shaw), London
Maynard, H. C. E. (S. W. C. Sprunt), London
Meadows, C. J. (P. E. Thain), King's Lynn
Megaw, R. C. (W. E. Parker), London
Meier, I. (F. D. M. Lowry), Liverpool
Mekie, D. J. C. (W. A. Hand), London
Menges, N. M. (D. D. Kidson), Manchester
Mercer, F. C. (M. D. Dye), Liverpool
Merchant, A. K. A. K. (P. J. Hewitt), London
Meredith, P. G. (E. Kirkby), Bradford
Messias, J. J. (S. J. Bressloff), London
Messman, M. (S. Lipman), London
Metcalfe, P. (T. D. Carnwath), Manchester
Mian, A. W. (M. Harris), London
Michael, M. P. (A. D. Gordon), London
Middleton, D. E. (D. Smith), London
Midgley, H. (E. Chapman), Blackpool
Miebs, R. J. (W. C. Cann), London
Millar, G. (R. A. Henley), Norwich
Miller, R. G. (R. D. Barrett), Yeovil
Mills, P. G. (R. P. Hedley), London
Minchin, M. I. B. (F. J. Gaston), London
Mitchell, K. R. (E. J. Stone), London
Mitchell, M. A. (D. G. Tate), St Albans
Mmireku, E. F. S. (G. P. Leech), Gateshead
Mohammad, A. (R. Newstone), London
Moll, R. J. (B. W. Cutter), London
Mongelard, J. C. (P. Lawrence), London
Monger, E. G. (A. E. Smith), Winchester
Monk, R. F. (P. V. Le Neve Foster), London
Monks, R. G. H. (L. H. Stewart), Manchester
Monroe, W. K. G. (C. C. Taylor), Liverpool
Montgomery, I. (E. C. F. Schooling), Carlisle
Moore, D. J. (D. C. Burling), London
Moore, J. (C. W. Wildy), London
Moore, J. M. (G. C. Wood), March
Moore, N. S. J. (T. M. Carmichael), London
Moore, P. R. (A. Masters), Nottingham
Morant, L. G. M. (W. A. White), London
Moreton, C. J. (T. Jeffery), London
Morfill, R. W. (R. J. Cody), London
Morgan, C. A. (Miss) (J. F. Ray), Oxford
Morgan, D. R. (H. L. Fisher), London
Morgan, I. W. (J. L. Hunkin), Neath
Morgan-Jones, R. J. (R. N. D. Langdon), London
Morley-Smith, M. R. (T. A. Clark), Wrexham
Morrey, K. H. (B. Griffiths), Nantwich
Morris, C. F. (J. Spence), London
Morris, D. (R. P. Smith), Chorley
Morris, D. (P. H. Owen), Manchester
Morris, H. B. (J. Fairhurst), Wigan
Morrissey, J. A. (F. C. G. Hains), Lincoln
Morter, G. R. (A. G. H. Marks), London
Moss, C. R. (D. A. Sutherland), Manchester
Mottershaw, S. R. (J. G. Richmond), Sheffield
Mountford, M. J. (D. H. Burton), Wolverhampton
Moxon, J. R. T. (M. A. Charlton), London
Moxon, R. G. (E. Sugden), Leeds
Mullen, A. (I. C. Storey), South Shields
Murphy, O. H. (J. J. Phillipson), Canterbury
Murray, G. C. (N. J. Millard), London
Murrell, D. B. (H. F. Shapland), Minehead
Musson, R. D. (D. D. Rae Smith), London
Mustafa, G. (W. Newman), London
Mutsuddi, S. (A. L. Rowles), London
Muzzlewhite, D. J. (G. A. Cooke), Exeter
Myhill, D. F. (J. Hillier), Luton

Nagler, S. M. (G. P. Levy), London
Najak, B. D. (B. O'D. Manning), London
Nand, A. (R. A. Hawken), London
Naqvi, S. M. A. (W. Smart), Leeds
Narain, P. C. (A. Cass), London
Narayanan, T. A. (H. O. Raphael), London
Naseem, M. (J. L. Frankel), London
Nazir, M. (J. R. Y. Madeley), Birmingham
Needler, G. H. C. (W. H. Hall), Hull
Nemko, M. T. (A. I. Rogove), London
Nesbitt, B. (T. M. Sadler), Newcastle upon Tyne
Newberry, A. E. (M. T. Coyne), Weymouth
Newman, D. A. (A. T. Dowd), Manchester
Newman, M. D. (N. Libson), London
Newton, R. J. E. (W. Parker), Birmingham
Nicholas, D. P. (P. V. Le Neve Foster), London
Nilsson, H. (R. F. Sumner), London
Nolan, V. J. (Miss) (J. M. West), Tiverton
Noon, P. V. (A. A. Davis), London
Norfolk, M. D. (L. B. Eagle), Leeds
Northey, J. A. (C. E. Hubbold), Walsall
Northgraves, J. F. (D. V. Spencer), Hull
Nunan, P. J. (T. E. Grimes), London
Nutt, D. L. (E. G. Hayes), London
Nutty, G. (V. J. Cooke), Burnham-on-Sea

Nwokolo, C. D. O. (A. C. Style), Brighton
Nwokolo, G. A. (L. W. Madge), Croydon

O'Brien, M. J. (A. M. E. Morgan), Aberdare
O'Connor, P. G. (G. H. Bennett), London
Odejinmi, F. O. (B. Rader), London
Ogle, M. H. M. (A. M. Walker), London
Ogle, S. R. (D. D. Rae Smith), London
Okechukwu, E. A. (E. D. D'Alton), London
Okpala, A. O. (H. Partington), Manchester
Oliver, I. R. (T. R. Oliver), Nottingham
Oliver, P. (J. D. Britton), Nottingham
Oliver, P. G. (A. P. Roberts), Birmingham
Olliffe, G. H. (D. G. Page), London
Ollington, R. J. (G. Franklin), Brighton
Olubodun, R. K. (J. A. Simmonds), London
Openshaw, N. E. K. (M. E. Hatch), London
Oram, D. W. (G. E. Pugh), Newport, Mon
Oram, J. L. (F. H. Cropp), London
Ormandy, W. K. (C. G. Sparrow), Stockton-on-Tees
Osborne, D. M. (V. K. Williams), Merthyr Tydfil
Osobase, S. S. (R. J. Mathias), Cardiff
Osu, J. K. (H. Abrahams), London
Owen, J. (A. Blythe), Derby
Owles, B. R. B. (P. D. Fuller), London
Oxley, A. J. (L. K. Wilson), Warrington

Packe, M. G. (S. T. Milner), Harrogate
Palmer, A. H. (J. P. Ogden), London
Parfitt, G. F. (E. P. Robey), Reading
Parker, C. D. (T. R. Watts), London
Parker, M. T. (F. A. J. Couldery), Brighton
Parker, R. H. (R. G. Beard), Sheffield
Parker, R. H. S. (J. D. Askew), Cheltenham
Parkes, A. B. (I. S. Turnbull), Nottingham
Parkes, J. L. (L. A. Hall), London
Parry, J. E. (S. B. Smith), Liverpool
Passmore, B. J. (E. F. W. Batts), London
Patchett, G. F. (R. C. Munyard), London
Patel, C. A. (A. M. Fisher), London
Paterson, A. J. (H. L. Bloom), London
Paterson, I. K. (J. T. S. Bower), London
Patrick, G. E. (G. E. Hill), Birmingham
Pattinson, M. J. (E. C. F. Schooling), Carlisle
Payling, J. E. (E. Sugden), Leeds
Payne, D. M. (J. P. Clayton), London
Payne, M. J. (C. T. Chater), Kettering
Payne, M. L. (P. J. Rush), Liverpool
Peacock, J. M. (T. C. Mahyo), Bradford
Pear, G. J. (R. Taylor), London
Pearce, J. P. (J. E. L. Griffith), Maidenhead
Pearman, D. A. (C. F. M. Hawkins), Bristol
Pearson, A. J. (B. A. Kemp), London
Pearson, D. (R. Heatherington), Newcastle upon Tyne
Pearson, D. F. (J. E. MacSwiney), London
Pearson, R. J. (J. A. Horton), Birmingham
Pegler, S. R. (V. J. Cooke), Burnham-on-Sea
Penn, L. F. (Miss) (N. R. Mann), London
Penn, M. J. (L. C. Hopkins), Hemel Hempstead
Pennington, D. M. (T. S. Scott), London
Percival, P. R. (J. N. Prentice), London
Perkins, B. D. (M. Brief), London
Pester, P. J. (G. A. Channon), Exeter
Pestereff, M. N. (J. A. Lunt), Manchester
Peters, A. J. (W. G. Densem), London
Pettitt, I. R. (D. H. Burton), Wolverhampton
Petty, B. (C. P. Dean), Leeds
Pflanz, E. M. (A. F. Christlieb), London
Phillips, A. G. (F. L. Woolley), Southampton
Phillips, A. P. (J. D. D. Newton), London
Phillips, A. P. W. (B. R. Dunn), Nottingham
Phillips, E. G. (A. S. Hitchings), London
Phillips, G. K. (C. Y. Lloyd), Manchester
Phillips, J. T. (A. Strudwick), London
Phillips, L. E. S. (G. A. Channon), Exeter
Phillips, P. F. (M. A. Brown), Bath
Phillips, W. S. (C. E. Turton), Nottingham
Pickering, C. R. (E. D. Cox), Birmingham
Pigg, C. A. (P. W. Lacey), Reading
Pilbrow, N. D. (J. G. S. Longcroft), London
Pilgrim, G. J. (S. A. Letts), London
Pincus, B. M. (J. Radstone), London
Pinteau, M. (D. G. Latimer), London
Pirbhai, A. H. (J. R. Pullan), London
Plant, J. B. (J. Capey), Stoke-on-Trent
Plews, M. G. K. (N. A. Wheatcroft), Sheffield
Plume, B. W. (M. P. V. Leigh), Ilford

Poole, G. B. (G. V. Perkins), Birmingham
Porritt, H. T. (D. R. Clack), London
Preston, C. M. (E. J. Ormrod), Liverpool
Preston, R. M. (K. E. Tann), London
Prew, R. V. (J. H. P. Griffith), Slough
Price, A. H. (R. W. C. Dunn), Birmingham
Price, J. J. (R. Spooner), London
Price, K. E. (Miss) (R. A. Folland), Birmingham
Priestley, B. J. (D. E. Walker), Bradford
Priestley, P. J. (B. H. A. Rowe), Derby
Procter, A. C. M. (P. F. Spurway), Cardiff
Proudlock, G. (W. G. Mackey), Newcastle upon Tyne
Pruim, A. L. (B. J. P. Cotton), London
Pullen, J. A. (R. A. Bailey), London
Pulley, C. R. (A. C. Falkner), London
Puri, R. K. (G. D. Vicary), London
Pursey, R. E. (D. G. Roberts), London
Puttock, D. F. (H. B. C. Sandford), Tunbridge Wells
Pye, C. M. (H. Newman), London

Quine, D. J. (E. Levick), Liverpool
Qureshi, S. M. H. (E. L. Langton), London

Radford, P. (S. W. Staton), Sheffield
Ragab, M. Z. (K. I. Morgan), Swansea
Raghavan, R. V. (D. Conway), London
Rahman, A. (K. S. Norman), London
Rahman, M. N. (J. H. Sterland), Cambridge
Rahman, M. S. (G. Hamilton), Kingston upon Thames
Rahman, S. (L. H. Davies), London
Raingold, G. B. (P. T. J. Dodd), London
Ramchandani, P. K. (C. Hamburger), Manchester
Rampersad, I. H. (J. Gillespie), London
Randolph, I. A. (B. Graham), London
Rao, H. C. S. (R. A. Chettle), London
Rapaport, P. B. (P. H. Benedict), London
Ratcliffe, A. J. (J. V. Rogers), Derby
Raven, C. A. N. (H. Price), Eastbourne
Ravenscroft, R. A. (C. B. Newcomb), London
Rawle, J. E. (H. C. M. Lewis), Eastleigh
Rawlings, P. M. (J. S. Kemp), Hull
Raworth, P. J. B. (J. K. Black), London
Rawstron, F. A. (F. E. Smith), Blackburn
Razzaq, A. (F. N. Phipps), London
Readings, G. R. (Miss) (W. Ledger), Kingston upon Thames
Reaney, J. A. (H. Chapman), Rotherham
Recordon, I. C. (The Hon. J. W. Remnant), London
Redington, P. D. (R. F. George), London
Reece, N. J. (J. W. R. Lindsey), London
Rees, P. H. (R. A. Howard), Birmingham
Reeve, J. (D. N. Smith), London
Reeves, P. M. (F. Edwards), Stoke-on-Trent
Reeves, R. J. (R. W. J. Foster), London
Reid, C. J. (H. T. Nicholson), London
Renwick, R. H. (A. Whittaker), Sunderland
Revel, F. D. (A. D. Johnson), London
Reynolds, S. R. (G. Lanigan), Manchester
Rhodes, J. D. (C. K. Frost), Leeds
Rice, D. H. (T. R. Marshall), Northampton
Rich, S. M. (Miss) (A. B. Ramsden), Aylesbury
Richards, C. (H. W. Gray), Oxford
Richards, P. R. (D. J. Hedges), Banbury
Richardson, D. P. (D. W. Carlisle), London
Richardson, H. D. (E. B. Greet), London
Richardson, S. C. (B. E. Pearcy), London
Riches, K. I. (J. M. Pinder), Epsom
Riddle, B. J. (W. G. Pritchard), Kingston upon Thames
Riley, C. E. (Miss) (E. C. Lancey), Worcester
Rimmer, K. (A. I. McBroom), Sheffield
Rixson, S. M. (S. J. G. Southon), Exmouth
Roberts, J. C. (B. S. Stewart), Bournemouth
Roberts, J. L. (J. A. Roberts), Chesterfield
Roberts, T. S. (G. E. F. Harding), Liverpool
Robertson, T. F. (A. D. Cotton), Manchester
Robinson, A. D. (K. R. Marlow), Birmingham
Robinson, I. W. (B. Thomas), Sheffield
Robinson, J. N. (A. F. J. Kearns), Manchester
Robinson, M. C. R. (F G. Rollason), London
Robinson, P. W. (R. G. Frewin), Henley-on-Thames
Robshaw, T. I. (H. H. Holdsworth), Leeds
Roch, J. D. (P. J. Lake), Sheffield
Rodda, D. E. (R. F. Watkins), Northampton
Rodgers, H. J. (R. F. W. Sheraton), Brighton
Rodrigues-Pereira, R. B. (R. Y. Taylor), Manchester
Rogerson, P. G. (J. M. Gilliat), Manchester
Rogg, G. L. (M. Gordon), London
Rose, E. (B. R. Dunn), Nottingham

Rose, J. H. (W. A. Richardson), Nottingham
Rosenbaum, D. D. (B. H. Lyons), London
Rosenberg, R. N. (M. S. Josephs), London
Roth, B. S. (P. C. Susskind), London
Rotherham, K. (G. E. F. Harding), Liverpool
Rothwell, K. A. (H. Lawton), Manchester
Rotimi, J. L. B. (J. A. Haddon), Hereford
Round, M. (J. C. Blanchard), Newton Abbot
Rowson, D. F. (J. A. Wild), Stockport
Rudd, A. N. R. (F. Jeffery), Derby
Rudkin, K. G. (D. A. Burgin), Newark

Sabey, M. A. J. (F. R. Hews), Worthing
Sacks, J. H. (L. H. Cohen), London
Sackwild, G. (L. C. Curtis), London
Sager, A. M. (W. S. Twaddle), Newcastle upon Tyne
St John Cox, M. S. S. (T. G. Buckingham), London
Sajan, M. K. (M. M. Feiger), London
Salman, S. T. (K. I. Morgan), Swansea
Sander, S. M. (E. E. Sander), London
Sandiford, J. (S. K. Stott), Manchester
Sandle, M. J. (F. C. Smailes), Bristol
Sardharwalla, Y. B. (M. D. Kruger), London
Sargeant, I. C. (P. R. Goulder), Farnham
Satterthwaite, R. P. (H. W. Franklin), Liverpool
Saunders, H. M. (J. A. Hutchings), London
Savage, A. B. (R. S. Sprange), Sutton
Savery, B. J. (V. S. Gregg), London
Sayer, R. D. R. (D. Mahony), London
Schol, B. J. A. (J. F. Wreford), London
Scott, C. R. (R. H. Cromarty), Nottingham
Scott, J. L. (C. H. Nathan), London
Scott, K. G. (A. C. Croft), Hull
Scrimgeour, A. J. C. (N. V. S. Nielsen), London
Sechiari, P. G. (I. A. Wallace), Brighton
Seet, K. S. (R. Gold), London
Seifert, M. J. (S. Goldwater), London
Selby, D. F. M. (P. J. Hawker), London
Selby, L. A. (M. A. Bennett), London
Seldon, G. K. M. (W. R. Doherty), Birmingham
Selwood, J. C. (W. Saxelby), London
Seneviratne, K. N. E. (G. H. Cann), London
Seow, K. P. (R. C. Munyard), London
Serginson, A. (H. C. Makepeace), Middlesbrough
Sewell, C. T. S. (R. A. Covington), London
Shack, V. A. (R. F. Harding), Brighton
Shah, D. Z. (M. Van Straten), London
Shah, R. M. D. (J. L. Turner), London
Shaikh, M. (S. Lipman), London
Shamanna, N. (P. B. James), London
Shamsi, S. A. (P. G. Wenham), London
Shapiro, P. M. (R. Hayton), Manchester
Shariff, M. A. (D. H. Sprung), London
Sharp, R. M. (G. F. B. Peirson), Coventry
Sharpe, J. R. (P. W. Simkins), Guildford
Shashoua, S. J. (A. Beckman), London
Shaw, D. A. (A. C. C. Oddie), Bristol
Shaw, D. J. (K. A. Chapman), Nottingham
Shaw, K. M. (P. C. Westwood), Cardiff
Shaw, R. C. (A. H. Chapman), London
Shaw, S. G. (D. Oakes), Liverpool
Shearer, S. (A. K. Walton), Bradford
Sheehan, K. L. (N. V. S. Nielsen), London
Sheikh, K. M. (C. S. S. Cowper), Newbury
Sheldrick, C. J. (H. J. Balls), Colchester
Shelmerdine, J. (R. S. Wainwright), Leeds
Shelmerdine, M. E. A. (J. Perfect), London
Shepherd, B. (J. B. Noble), Barnsley
Sheret, W. A. (D. P. Briggs), Middlesbrough
Shirley, B. A. (F. Broadie), Manchester
Shirtcliffe, C. C. (L. J. Barham), London
Shonfield, J. K. C. (W. R. Pugsley), London
Short, B. C. B. (W. E. Haward), London
Short, M. E. (P. N. G. Price), London
Siddiqi, K. M. A. A. (G. J. Edkins), London
Siddiqui, A. A. (M. Cooper), London
Siddiqui, A. A. (P. Peters), London
Silver, M. J. (J. R. Wood), Manchester
Simmonds, J. A. E. (F. C. S. London), London
Simons, D. E. F. (H. P. Patterson), London
Simons, V. E. (A. Vinocourt), London
Sinclair, H. A. (W. G. Densem), London
Sivaganasingham, P. (C. R. Cann), London
Skellum, D. K. (W. B. James), Birmingham
Slater, C. D. (L. W. Hodgson), London
Slater, J. S. (Miss), (A. H. Nelson), Wolverhampton
Slater, P. (R. Plummer), London
Sloan, I. A. (R. W. Brazier), London
Slyfield, C. C. E. (P. D. Jones), London
Small, P. L. (W. A. Lamerton), London
Smart, J. G. W. (J. M. P. Watling), Bristol
Smart, R. B. (W. J. Germing), London
Smith, A. T. (J. Fawcett), Grimsby
Smith, C. G. (P. Fine), London
Smith, F. A. (H. Chase), London
Smith, G. B. (J. F. Wreford), London
Smith, G. S. (G. C. Tayler), Ashford, Kent
Smith, I. O. (E. D. Cox), Birmingham
Smith, K. R. (J. H. Jackson), Leigh
Smith, M. R. (D. R. Lamb), Stevenage
Smith, P. J. W. (R. A. Cook), Cambridge
Smith, P. M. (G. B. Elphick), Chester
Smith, R. (N. Kirkman), Leeds
Smith, R. (R. T. Smith), York
Smith, R. A. (R. F. George), London
Smith, R. A. F. (F. C. Roy), Worcester
Smith, R. J. (K. Johnson), Leicester
Smith, R. W. (E. W. Jackson), Nuneaton
Smits, E. (R. A. Douglas), Manchester
Snell, P. (R. W. Hibbs), Cranleigh
Snook, R. G. (D. McL. Hamilton), London
Snowden, R. I. (W. Cavanagh), Blackburn
Sober, A. L. (P. Fine), London
Solly, J. D. (J. A. W. Manderson), Douglas, I.o.M.
Solly, M. W. (J. C. Cain), Douglas, I.o.M.
Somaiya, V. (D. L. Ufland), London
Spafford, P. M. (M. Sheppard), Maidenhead
Speakman, K. I. (G. W. Smith), Liverpool
Spencer, G. J. (H. J. Wells), London
Spencer, R. N. (P. S. Tanswell), Twickenham
Spicer, B. L. (A. W. Brooking), Basingstoke
Stapely, S. (P. B. Kirby), London
Starling, J. A. (R. Owers), London
Starr, C. J. (T. R. McBride), London
Steedman, R. W. (M. J. Foxwell), Harrow
Stent, J. H. (H. W. Tuckey), Birmingham
Stephens, C. J. R. (E. C. Griffith), Watford
Stephenson, D. J. (C. R. Stephenson), Reigate
Stichbury, C. A. (P. Robinson), London
Stobbart, J. W. (J. Rowan), Sheffield
Stones, R. R. (A. F. J. Girling), Doncaster
Storey, C. T. (L. N. Winder), Liverpool
Storey, T. M. (R. G. Leach), London
Stout, T. F. (Miss E. D. Barrow), Whitehaven
Stradling, S. R. (T. E. Grimes), London
Strevens, P. J. (J. D. Donovan), London
Stuckey, J. G. H. (P. R. Hart), London
Suarez, C. R. (J. A. B. Jones), Swansea
Subramanian, S. (A. Harris), London
Suggett, G. R. (V. A. Tudball), London
Sutherland, M. S. (F. K. Berry), Maidstone
Sutton, L. G. (K. Todd), Leicester
Swinhoe, M. I. (Miss) (C. T. Baker), London
Sykes, J. P. (T. Bedford), Leeds
Symington, Q. (H. A. Snell), Bristol

Tahseen, M. M. (V. C. Baker), London
Tailor, C. J. N. (T. H. How), London
Tan, K. C. (H. L. Lawson), London
Tapley, A. C. (G. H. Kelsey), Lincoln
Tapson, W. H. (S. Dallow), Liverpool
Taylor, K. (E. Smith), Blackburn
Taylor, K. R. (E. W. Watts), London
Taylor, P. D. (G. S. Fletcher), London
Taylor, R. M. G. (C. H. Nathan), London
Taylor, S. J. (J. Carley), Gravesend
Taylor, S. M. (Miss) (F. R. Paine), London
Teggin, H. W. (C. Howson), Stoke-on-Trent
Terry, M. C. W. (J. P. Vallance), London
The, S. T. (J. A. G. Sizmur), London
Thomas, D. O. (J. E. Page), London
Thomas, E. F. (D. V. Arrowsmith), Rhyl
Thomas, J. R. (S. H. D. Thomas), Abergavenny
Thomas, M. O. (F. W. Tunbridge), Birmingham
Thomas, P. L. (B. C. Berkinshaw-Smith), London
Thomas, R. F. (R. G. Carter), London
Thompson, J. M. T. (J. P. Nightingale), Bolton
Thompson, P. R. (J. A. Laverack), Lincoln
Thornton-Jones, A. I. (H. H. Crosse), London
Thorpe, M. C. M. (P. N. G. Price), London
Tidd, H. G. (W. C. Cann), London
Tiffin, C. M. (L. J. Newey), Romford
Tillin, A. M. (C. B. Henning), London
Timberlake, A. K. (J. P. C. Richardson), London

Timms, P. J. (W. A. Hand), London
Tinker, K. J. (J. R. Wells), London
Tinsley, N. R. F. (R. A. Duthie), Carlisle
Tomkinson, R. C. (W. R. Tomkinson), London
Tomlinson, J. A. (A. R. Favell), Sheffield
Toole, I. C. N. (R. L. Davis), London
Tovey, R. W. (P. A. Comer), Gloucester
Townend, J. R. (K. M. Scott), London
Townsend, M. (T. Bedford), Leeds
Towse, C. S. (R. J. H. Eagle), London
Toynton, P. A. (H. J. Binder), London
Trace, P. T. (J. G. Sterry), Gloucester
Trendell, D. (D. J. Ironside), Bristol
Trent, W. N. (M. W. H. Lancaster), London
Treseder-Griffin, R. I. (H. S. Rose), London
Trett, T. S. (H. N. Fairhead), Great Yarmouth
Treves, J. L. (M. G. L. Bailey), London
Trew, R. J. (D. V. Hinkley), London
Trigger, R. (J. D. Russell), London
Trill, D. J. (J. E. R. Vellacott), London
Truman, J. R. (C. J. White), Nottingham
Tubman, D. H. (G. R. Leece), Liverpool
Tudor, R. G. (J. F. Jee), Coventry
Turnbull, M. T. (W. S. Rainbow), Newcastle upon Tyne
Turnbull, N. V. (P. M. S. Longcroft), London
Turnbull, R. A. B. (D. King), Chesterfield
Turnbull, W. A. (T. C. Capey), Newcastle upon Tyne
Turner, C. G. S. (N. F. Norris), London
Turner, D. (F. J. Hammond), London
Turner, K. G. R. (A. R. Lewis), Kingston upon Thames
Turner, L. A. (J. A. Greenacre), Birmingham
Turner, R. (P. J. L. Case), Watford
Twentyman, A. (R. A. Penny), London
Tyler, R. G. (C. W. Heather), London
Tynes, D. V. (A. E. R. Jones), London

Ullman, J. P. S. (D. M. D. Raper), London
Underhill, A. (J. M. Canham), London
Underhill, R. (G. R. Leece), Liverpool
Upsdell, G. A. (A. H. B. Wood), London
Uwakwe, P. L. (T. H. Latham), Wigan

Vachell, J. A. (D. T. Veale), Leeds
Vander Graaf, J. T. (T. W. E. Booth), Manchester
Vaughan, A. J. (B. R. Varcoe), Bristol
Vaughan, B. A. M. (P. E. Goldsmith), Hove
Velauthapillai, M. (J. P. Burke-Scott), London
Vellani, N. (S. Chater), Cardiff
Verlander, D. A. (R. L. Crowther), Huddersfield
Verrall, B. P. (L. O. Ross), London
Vettath, J. (N. Freeman), London
Vevers, T. (J. G. Richmond), Sheffield
Vicars, G. L. R. (R. H. Shotliff), London
Vickerman, A. J. (S. G. Kaye), Huddersfield
Vilathgamuwa, D. D. A. (L. Fialko), London
Villa, P. E. (E. F. Wilkins), London
Villiers, C. N. (E. E. P. Maltby), London
Vohora, V. K. (A. W. Dyer), London
Vowles, R. A. (R. G. Fox), Southampton

Waggott, T. J. (G. N. Fullagar), Liverpool
Waight, P. C. S. (W. C. S. Waight), Bromley
Wailing, M. D. (W. C. Nelson), Wolverhampton
Wainwright, P. W. H. (C. C. Hubbard), London
Waite, K. D. L. (A. F. W. Keep), Reading
Wajih, A. M. (J. C. Durnin), London
Walford, M. F. G. (C. G. Johnston), London
Walker, M. F. (S. C. L. Abbott), Oxford
Walker, R. K. (C. B. G. Turner), London
Waller, A. K. (C. D. Anderson), Cheltenham
Wallis, S. M. (H. W. Wilson), London
Walpole, D. S. (D. W. Hobbs), Bradford
Walsh, G. A. (J. A. Colvin), Liverpool
Warburg, A. O. (S. G. Sillem), London
Warburton, P. (D. Oakes), Liverpool
Ward, A. G. H. (J. R. Wells), London
Ward, C. W. J. (M. F. Pope), Canterbury
Ward, R. E. (D. E. Hudson), London
Ward, W. H. (J. S. Scoggins), Bexhill-on-Sea
Warden, D. C. (G. H. Camamile), Lincoln
Warman, B. A. (G. D. Lane), Folkestone
Warne, J. B. (G. L. Kitchen), Keighley
Warren, C. (J. Dobell), Manchester
Warren, M. (A. Fisher), London
Warren, T. (T. J. Thomson), St Austell
Warrender, R. (B. M. Parrott), Uxbridge
Watmough, K. V. (H. W. Clough), Bradford
Watson, C. C. G. (C. D. Smith), London
Watson, D. S. (M. E. Hatch), London
Watson, F. W. (J. S. A. Peffers), Newcastle upon Tyne
Watson, M. S. (E. A. Manning), Southend-on-Sea
Watts, D. S. (D. G. Scutt), Brighton
Watts, K. J. (R. Varney), Spalding
Watts, M. D. (W. E. Little), London
Watts, V. C. (J. P. C. Richardson), London
Waxman, F. S. (C. S. Raine), London
Weare, R. D. M. (R. Smith), Newport, Mon
Webb, M. F. (R. A. Joynes), London
Webb, R. A. (K. W. Hammond), London
Weddle, R. L. (T. Craggs), Darlington
Wells, J. D. (J. B. Corrin), Northampton
Wells, S. M. L. (Miss) (C. J. K. Boyce), Guildford
Wesson, R. F. (D. M. H. Jones), Newport, Mon.
West, D. J. (J. S. Short), Basingstoke
Westhead, R. J. (K. E. Hutchinson), Leicester
Weston, A. J. (P. D. Saville), London
Weston, M. (C. N. Baker), London
Whaddia, N. N. (W. G. Frazer), London
Whatsley, A. R. (C. S. G. Kealey), London
Wheatley, A. J. (G. D. Hopkinson), Birmingham
Wheatley, D. J. (J. W. Bell), London
Wheeler, R. D. (G. Watson), Waltham Cross
Whigham, D. R. (P. N. G. Price), London
White, B. L. (Miss) (J. P. N. Brogden), Portsmouth
White, J. L. (Miss) (O. A. J. Ling), Derby
White, J. L. (J. B. Butterworth), Bridgwater
White, M. B. (R. J. C. Roffe), London
Whitehead, J. F. (E. G. Wilcock), Sheffield
Whitehead, N. C. (R. H. Bulman), Stockton-on-Tees
Whittaker, R. B. (R. Howarth), Huddersfield
Whittam, A. J. (D. Webster), Manchester
Whitten, R. E. (J. H. Davies), London
Whittick, J. A. (J. V. Crump), London
Whitwell, M. (T. Wilson), Manchester
Wichelow, P. A. (L. J. W. Gould), London
Wightman, R. G. (E. D. London), Nottingham
Wigley, P. W. (C. F. Baker), London
Wilkes, A. R. (R. G. Kirkpatrick), London
Wilkinson, D. (F. W. Hollingsworth), York
Williams, A. A. (D. E. F. Green), London
Williams, D. B. (R. R. Davies), Cardiff
Williams, N. R. (J. H. Pizzey), London
Williams, P. J. (H. W. Bankes), Liverpool
Williams, R. S. (O. A. Parry), Swansea
Wills, K. R. (J. W. Walkden), Northampton
Wilson, D. K. (F. B. Proctor), London
Wilson, P. R. (J. T. S. Bower), London
Wilson, R. H. (T. R. Keens), Luton
Winders, D. M. (C. Fox), Sunderland
Wing, M. G. (W. E. C. Offer), Oxford
Wint, G. E. (A. T. Mabe), Derby
Winterbotham, D. (R. H. Armstrong), Middlesbrough
Witcher, P. W. R. (R. J. Parker), Aylesbury
Wolfe, H. A. (I. Cedar), London
Womersley, R. I. (B. Asquith), Leeds
Wood, G. N. (J. N. Bowen), Worcester
Wood, M. J. (G. C. Ehlers), Bristol
Wood, T. G. (R. F. Mason), London
Wood, T. G. (H. Keate), Manchester
Woodd, H. B. (R. K. Briscoe), London
Woodward, P. G. (J. L. E. Daly), London
Woolford, R. P. (J. Heaford), London
Woolfson, L. I. (I. Sassoon), London
Wootton, E. G. (H. W. Agley), London
Wormald, W. (F. R. Clarke), Sunderland
Worthy, K. J. (R. W. Brazier), London
Wray, A. E. (D. B. Stretton), Freshwater, I.W.
Wreschner, M. M. (E. M. Kevehazi), London
Wright, C. R. (F. R. Paine), London
Wright, K. J. (F. W. Tunbridge), Birmingham
Wrigley, T. G. (C. G. Compton), Boston
Wyle, I. G. (W. L. Danks), Birmingham
Wynne, J. D. (F. A. Noble), Liverpool

Yates, J. T. (R. O. Bowden), Birmingham
Yehya, M. (J. A. Sandeman-Allen), Dartmouth
York, M. J. (P. A. Stuttard), London
Young, J. W. (J. H. Gale), London
Young, R. D. (B. Phillips), London
Yuen, K. K-M. (S. Cohen), London

Ziegler, G. A. (J. E. Page), London

1,433 Candidates passed, 1,318 Candidates failed.

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE ACCOUNTANT

ESTABLISHED 1874

DECEMBER 5TH, 1964 VOL. CLI. NO. 4694

CONTENTS

Retention of Deducted Tax

PERHAPS the best-known twin sections in the Income Tax Act, 1952, are sections 169 and 170 which deal with the deduction of tax at the source. Most accountants know that where a taxpayer deducts tax under section 169 from interest or annual payments he can pocket it; if he deducts under section 170 he must hand the tax over to the Inland Revenue. Section 169 covers payments 'wholly out of profits or gains brought into charge to tax'; section 170 deals with payments not complying with that requirement. Difficulties frequently arise in deciding which particular section applies. One old bone of contention is the extent to which the payer can, as it were, marshal his income and his payments in such a way as to obtain the maximum tax advantage. On the one hand there is a famous dictum by Lord GREENE in *Allchin v. Coulthard* (21 A.T.C. 135) to the effect, broadly speaking, that the payer is entitled to attribute his payments as far as possible against his taxed income. On the other hand, there is the House of Lords decision in *Central London Railway Co v. C.I.R.* (15 A.T.C. 231) that where a company in fact paid interest out of capital it could not claim the benefit of the then equivalent of section 169. Two decisions of the Court of Appeal last week have added to the store of knowledge on this topic, although since leave was given in both cases to appeal to the House of Lords, the final word may not yet have been said. The problems are particularly difficult in the case of taxpayers who are creatures of statute, like companies, and the two cases both concern companies.

The case with the widest implications is *B. W. Nobes Ltd v. C.I.R.* where the Court of Appeal reversed a decision of Mr Justice PLOWMAN (43 A.T.C. 88). The company had sought to extend Lord GREENE's marshalling principle to include not merely interest and annual payments, but (in the case of dividends) also payments of dividends, and moreover had sought to spread the marshalling over more than one year. On March 31st, 1957, it had a credit balance on profit and loss account of only £4,449, although the total taxed profits from its commencement to that date, less dividends paid, amounted to £74,188. On July 12th, 1957, it undertook to pay to its newly-incorporated subsidiary, Aconite, in each of the nine years ending on April 5th, 1966, the greater of (*a*) £100 and (*b*) a sum equal to Nobes's net income in the year from certain contracts, subject to a maximum of its total statutory income less other charges. The consideration from Aconite was the allotment to Nobes of 98 per cent of Aconite's issued capital. It was agreed with the Inland Revenue that the payments to Aconite were annual payments.

On July 18th, 1957, Nobes agreed to sell all its Aconite shares to another company ('C.I.F.') for £45,000, of which £100 was payable forthwith. C.I.F. was to pay over to Nobes sums equal to Aconite's net profits for each of the nine years ending March 31st, 1966, and if the aggregate of these came to over the £45,000, then the price was to be increased accordingly. It was agreed with the Inland Revenue that the sums receivable from C.I.F. under this agreement were capital.

Nobes opened a ledger account headed 'Shares in Aconite', to which it debited the net annual payments made to Aconite, and to which it credited the payments received from C.I.F. The account balanced each year and the transactions did not figure in Nobes's profit and loss account except by way of note. For the year ended March 31st, 1958, Nobes's profit, plus the £4,449 brought forward, was £35,774, out of which Nobes paid dividends of £34,349, leaving a credit balance to profit and loss account of £1,425. During the same year the net annual payment to Aconite under the agreement was £25,225, but of course this was balanced by the capital receipt, in the special ledger account, from C.I.F. The Inland Revenue argued that the payment to Aconite was not paid out of profits or gains charged to tax, within the meaning of section 169, and assessed the gross equivalent under section 170. There were similar assessments for the two subsequent years.

When Nobes's appeals came before the Special Commissioners for the first time, they were dismissed on the ground that the current dividends had plainly absorbed the current profits. At a subsequent hearing Nobes argued that the total of taxed profits (less dividends) of £74,188 at March 1957, although not appearing in the accounts, were available to frank the dividends of 1957–58, so as to free the current profits to frank the payments to Aconite. The Special Commissioners still dismissed the appeal, but on slightly different grounds in that they attached more importance to the existence of the ledger account as showing out of what fund the Aconite payments had been made, viz. the capital receipts from C.I.F.

Mr Justice PLOWMAN reversed their decision but it has now been restored. Lord Justice HARMAN mentioned the Lord GREENE dictum about annual payments and said that Nobes was seeking to extend it to dividends. Nobes had produced new figures to show the availability of past profits to frank the current dividend but his lordship considered that those new figures were irrelevant as they did not exist in Nobes's balance sheet. According to the balance sheet of March 1957 only £4,449 was available. The payments to Aconite were accordingly caught by section 170. He did not see how the directors, having said in the published accounts that dividends were paid out of current profits, could now assert to the Inland Revenue that they had been paid out of something else.

In the other case under review, *Chancery Lane Safe Deposit and Offices Co Ltd v. C.I.R.*, the company had paid large sums in mortgage interest, all of which could have been met out of taxed profits. It also paid dividends.

The company consulted its auditors, whose advice they accepted as to the proper treatment of the mortgage interest in the accounts. This was that in order to give a true and fair view and in particular to bring out the cost of buildings and in accordance with general accountancy practice, it was proper to charge to capital the cost of finance during the period of construction in cases where the outlay was substantial in relation to the size of the company. The auditors computed the proportion of mortgage interest which ought to be charged to capital and this was charged to capital in the company's accounts accordingly. The Inland Revenue raised section 170 assessments to recover the tax deducted from that proportion of the mortgage interest. The Special Commissioners dismissed the company's appeals, on the ground that the point was covered by the *Central London Railway* decision. Allowing the company's appeal from this decision, PLOWMAN, J., followed his own decision in the *Nobes* case.

Allowing the Inland Revenue's appeal to the Court of Appeal, Lord Justice HARMAN said that the company claimed that the charging of the interest to capital was mere book-keeping, which was irrelevant for tax purposes. His lordship could not accept this. It was established by the *Central London* case that an attribution of mortgage interest to capital bound the company for tax purposes, and precluded it from saying that the interest was paid out of profits. *Allchin v. Coulthard* had made no difference to the principle of the *Central London* decision.

Companies and their Auditors

THE SEAGER EVANS AFFAIR

ONE of the requirements for a successful relationship between a company and its auditors is that each should appreciate and respect the responsibilities of the other. Wherever this principle is recognized, differences of opinion can usually be settled honourably by friendly negotiation and the application of common sense. Three times within the last eighteen months, however, disputes involving the position of auditors of public companies have made headlines in the financial Press. In the first instance, the directors of a company sought (unsuccessfully) to remove its auditors (who had felt obliged to qualify their report to the shareholders) on the grounds that when 'the all important mutual confidence between the board of the company and its auditors no longer exists, a change is, in the opinion of the board, in the interests of the stockholders'. In the second instance, a shareholder of a company, on his own initiative, sought (again unsuccessfully) to remove the auditors who, although they continued to enjoy the confidence of the board of directors, had apparently lost his.

The third instance is different in circumstances from each of the other two but is of equal significance. At the annual general meeting of the shareholders of Seager Evans & Co Ltd in London last week, the chairman, Mr John Mackie, is reported in *The Financial Times* as stating that the auditors, Messrs Arthur Andersen & Co, had resigned 'because of the differences in group accounting practice between British and United States companies'. 'Seager Evans' (the report continues), 'which is controlled by Schenley Industries, of the United States, employs various firms of auditors to handle its subsidiaries' accounts.' The appointment of Messrs Peat, Marwick, Mitchell & Co as the company's new auditors was approved at the meeting.

For the benefit of our readers who wish to consider the principles at stake in this particular situation, either through personal involvement in similar audit commitments or because of broader issues affecting relationships not only between companies and their auditors but between various firms of auditors, we reproduce below the statement read on behalf of Arthur Andersen & Co, at the Seager Evans' meeting.

STATEMENT BY ARTHUR ANDERSEN & CO

Our notification to the company that we do not wish to be reappointed auditors at this annual general meeting stems from our views regarding our responsibility in relation to the consolidated accounts.

As auditors of the parent company, Seager Evans & Co Ltd, we are required under the Companies Act to state in our report whether in our opinion the consolidated accounts give a true and fair view of the state of affairs and the profit or loss of the company and its subsidiaries, as a group.

We are the auditors of some of the subsidiaries, but the major operating subsidiaries are audited by other firms of accountants. The tangible assets at August 30th, 1964, of subsidiaries audited by other firms represented 76 per cent of the total tangible assets; our coverage by direct audit appointment was approximately one-quarter of the total tangible assets of the group.

We take the view that we are not justified in expressing an opinion unless, with respect to a clearly significant portion of the underlying facts, our opinion is based on conclusions reached by ourselves, that is to say, on our audit knowledge of the facts obtained through verifications performed by our staff, trained and supervised to our standards.

In this case our coverage by direct audit appointment was, in our view, inadequate to furnish a basis for our expressing an opinion on the consolidated accounts. In order to reach the conclusions we required to support an opinion, we considered it necessary to review the audit work done by other firms on certain major subsidiaries and to obtain appropriate information and explanations from them and from the managements of the companies, and also to carry out certain independent audit verifications in relation to the accounts of those subsidiaries.

Your chairman informed us, after the board meeting held last month at which the accounts were approved, that your board had given consideration to our position in this matter of scope of examination of the group accounts. The board had decided that other arrangements should be made for the future, for which reason your chairman requested our resignation.

Since we would be unable to express an opinion without the scope we require, we have advised your company that we do not wish to be reappointed.

Special Investigations

by BARRIE C. BAILEY, A.C.A.

Investigations have become of increasing importance in recent years as a specialized branch of the accountancy profession. They connote the appointment of a professional firm or an individual accountant to report, comment or make recommendations on a particular subject of inquiry. No two investigations are the same; accordingly, careful planning in advance is required to ensure their successful conclusion. This article is devoted to the necessary planning for the investigation into the future prospects of a manufacturing business.

Preliminary Stages

Purpose of investigation

IT is essential to establish the exact terms of reference received from the client. These may be indicated in writing or orally. The precise wording should be noted as this instruction will guide the whole course of the investigation.

The nature of the report and the amount of technical information included will depend on the client. To this end the investigator should bear in mind whether he is acting for one of the following: (*a*) competing company; (*b*) merchant bank; (*c*) issuing house; (*d*) private client; (*e*) institutional investor; (*f*) Government department.

Previous reports

Reference should be made to previous reports made by the investigator. A guide is thereby given to the method of approach. Any action taken on the basis of a previous similar report may also indicate further modification on any current investigation. In this way development of the skills employed in investigation work is ensured for the benefit of all clients.

Preliminary interview

The investigator should arrange for an interview with the client in order to:

(*a*) discuss fully the implication and objects of the investig ıtion;
(*b*) verify the accessibility and sources of any special information and whether access will be available to books and records of the business;
(*c*) inquire whether hostility or reticence is likely to occur in obtaining information;
(*d*) arrange to visit the works and offices of the business;
(*e*) arrange a time-table for completion of the investigation and submission of the report.

Staff required

Staff of appropriate calibre will be required to:

(*a*) locate and collect information both on the business subject to the investigation and also on the industry in which the business is involved;
(*b*) interpret and synthesize relevant information for writing the report.

The personal qualities required of staff assisting the investigator include a keen devotion to the search for the facts appropriate to support the eventual final conclusions. This means the facility to listen to third parties and sift the relevant information from the irrelevant.

The investigator himself must have the facility to supervise the fact finding, and to create from the facts constructive recommendations.

Form of the report

The urgency of the investigation may require a brief preliminary report to be followed by a later report on specific topics. The clients' requirements will govern this contingency.

Sources of Information

The immediate concern is to collect as much relevant information as possible. This will involve two fields:

(*a*) the specific business, its products and markets;
(*b*) the industry in which the business is involved.

As previously indicated any special sources of information and access to the records of the business will determine the amount of detailed internal information available on the business. Other sources of information to which reference should be made include:

(*a*) the company registrar's file;
(*b*) sales literature;
(*c*) Patent Office;
(*d*) financial services cards, e.g.: Moodies or Exchange Telegraph services.

As regards the industry, information on the products of the business on a national basis is available from Government publications, trade associations and publicity departments of large companies in the same industry.

International and political factors may also affect the operations of the business. Inquiries should be made from such sources as, the trade sections of foreign embassies regarding export potential and tariff embargoes; foreign trade associations; the offices of the European Economic Community; policy statements concerning the General Agreement of Tariffs and Trade. An assessment should be made of political and economic developments in countries which affect the products of the business both as regards the import of raw materials and export sales.

Management

The key to the success or failure of a business rests in the quality of management. In assessing future prospects the achievements of the existing management should be considered in the light of past results. An analysis of the composition of the board will show their age, qualifications and experience. The factors to consider are:

(a) the existence of either a dominant personality who acts alone or an integrated board which acts as a committee in all matters concerning production, sales and finance;
(b) whether there is a strong team of executives who are alive and aware to all the situations in the business;
(c) whether the board is provided with up-to-date information from sales, buying, production and financial sources, which enable its members to take informed decisions both as regards the immediate future of the business and its future in the context of national and international development.

An assessment is necessary of the capacity of the directors to take advantage of new opportunities, to change the area of operations of the business in order to ensure its continued success and ability to earn an adequate return on the capital employed.

All other factors which relate to future prospects are dependent on the action which management takes once it is aware of current conditions or anticipates the result of future conditions. A forward-looking management is indicated by the following factors:

(a) a planned programme of activity based on budgets and economic data;
(b) the ability of the business to attract good managers and executives based on a training programme which ensures the continuity of purposeful thinking for profitability and growth.
(c) adequate systems to provide up-to-date information on:
   (1) the performance of the activities of all sections of the business in order that necessary action can be taken in achieving the planned programme of activity;
   (2) competitors, foreign markets, economic conditions, political risks and export potentials;
(d) regular board meetings when implications arising from selling, production and financial aspects are considered, and an integrated programme of activity is planned and measured.

Sales

Having assessed the management it is necessary to consider the existing products of the business and their future marketability. An analysis of sales for the last five to ten years should be made according to:

(a) main product categories (in value and quantity);
(b) sales to major customers;
(c) export sales.

This will indicate the trend of sales and may reveal any particular sources of strength or weakness. Continuing and anticipated contracts with large customers should be examined and an assessment made of their value to the business.

Trend is of the utmost importance as it is the measure of the progressive development, not only of sales but also of management, production and financial strength. These trends are the signposts of judgement and point to continued strength.

The size of the market for the products of the business may be assessed from: the statistics of other competitors; consumer demands resulting from new developments in the industry and advertising campaigns; anticipated growth envisaged by trade association and other reports (such as those of N.E.D.C.).

The share of the business in its market will depend directly on how it can use its existing resources and in particular by:

(a) the promotion of a competent selling organization capable of tapping new sales, by using such methods as market research surveys; taking opportunities of developments in the Common Market and political embargoes;
(b) the activities of the research and development department of the business; any growth potential will depend on the willingness of management to innovate and take risks on the basis of research and development. The past achievement of the company in exploiting its products and inventions will help to assess future growth. New projects in the course of development should be examined.

An assessment is also required of both national economic conditions regarding prospects of the industry, effect of purchase tax and other taxation,

restrictive practices, possibility of nationalization, a factor which now has particular relevance, and price fixing agreements; and also international factors such as overseas competitors, import restrictions and turnover taxes.

Assets and Production Facilities

Having established the extent of the exploitable market, the state of the assets and production facilities of the business must be assessed regarding its ability to achieve its sales programme. This requires an examination of the following:

(*a*) factory space and land available for expansion and the possibility of development rights;
(*b*) availability and the condition of plant and equipment, tools and motor vehicles;
(*c*) availability of raw materials, trend of commodity prices, relationship with sub-contractors;
(*d*) control of stock levels and forward buying policies;
(*e*) control and flow of production;
(*f*) supply and quality of labour;
(*g*) labour relations, training programmes, pension and welfare facilities and methods of remuneration.

This examination will reveal to what extent there are any factors which may, in prevailing conditions, limit the fulfilment of future expansion. Such factors arising should be considered individually and possible solutions assessed.

Finance

The adequacy of finance and its continued supply is of prime importance to any production programme. If past development has been hampered by the lack of funds, future conditions should be assessed.

The pattern of financial success will be indicated by the following means:

(*a*) source of funds statement;
(*b*) cash flow statement;
(*c*) record and trend of return on capital.

As a result, the profitability of the business may be assessed and will show the financial needs for the following:

(*a*) replacement of assets where depreciation has been on an historic basis;
(*b*) recessions and set-backs;
(*c*) temporary financing for stock-piling and seasonal selling periods.
(*d*) working capital;
(*e*) expansion projects.

Future Prospects

In assessing future prospects the following situations occur: (*a*) where growth is static or declining; (*b*) where the growth potential is increasing. These situations should govern the action of management to maximize profits when either:

(*a*) there is unused capacity in buildings and equipment which may allow a rise in production without a corresponding rise in capital invested; or
(*b*) there are prospects of expanding output at a falling capital cost through economies or by operating on a larger scale; or
(*c*) technological or other efficiency advances allow a much higher rate of growth in output sales and profit than the rate of capital investment involved.

Apart from the external evidence and judgements made as a result of considering these facts, the management's own assessment of the future prospects must be considered in detail. Particular points to be considered are the current state of the order book of the business compared with the previous year, and extraneous factors of which only the directors may be aware, such as the prevalence of mergers arising from rationalization in the industry.

The views of senior officials both in the specified business and in the industry should be solicited as to the future prospects.

Notwithstanding all the factors considered in this article, however, future prospects depend ultimately on how, and in what direction, the management directs its energies to create or exploit a market.

Conclusions

There appears to be a general lack of literature in the United Kingdom on the techniques and approach to investigation work in the profession. This is perhaps due to two factors:

(*a*) no two investigations are the same as already mentioned earlier and thus the approach can never follow exactly the same pattern as, for example, it does during an audit. This factor, therefore, does not facilitate the establishment of a body of generally applied principles;
(*b*) moreover the comparatively recent increase of investigation work on its present scale has not allowed sufficient time for these principles to be properly evolved and ideas to be exchanged in the profession.

However, there are common features of approach for investigation work, some of which have been indicated in this article. Since an investigator has to be conversant in some depth with all these techniques and perhaps apply them all at the same time to special situations, there is a need for synthesizing these topics together.

The Corporation Tax – I

CONTRIBUTED

This series of articles will discuss the proposed corporation tax in the light of the Reports of the Royal Commission on the Taxation of Profits and Income, the recent White Paper on an Accounts Basis for Income Tax on Company Profits and the new Government's pronouncements on the subject, together with the possible effect of the new tax on company dividends and retentions at different levels.

FEW fiscal measures of recent times have caused more anxiety or uncertainty in the City or in industry and commerce than the proposed corporation tax announced by the Chancellor of the Exchequer (Mr James Callaghan) in his Budget Speech on November 11th, in these terms:

> 'I shall have a major change to propose in the Budget of 1965 in the system of taxation as it affects companies and other corporate bodies. This system is not well designed for the second half of the twentieth century. In particular, it does not provide sufficient incentive to companies to plough back profits for growth rather than to distribute them as dividends. It is also unnecessarily complicated.'

The Chancellor then went on to say that under the present system of company taxation the burden of profits tax remained on the company, but that income tax on the undistributed profit – so long as it remained undistributed – was really borne by the company, and that this situation made it very difficult to ascertain what the true burden on the company was. Moreover, the system led to certain abuses and anomalies the effect of which was that companies could sometimes recover large sums called 'tax' by way of repayment, though no corresponding amount had ever reached the Exchequer. A corporation tax levied on companies and other corporations, distinct and separate from income tax, would simplify the tax structure and put an end to a position that some were exploiting.

Other points made by the Chancellor were that the amalgamation of income tax and profits tax into a single corporation tax on companies would affect the burden of tax on different companies in different ways, according, for example, to the proportion of profits which they distributed, so that some companies would bear more tax, and others less, as a result of the change. The main objects of the scheme would be to modernize the tax system, rid it of anomalies, and provide an incentive to dynamic companies to develop at a 'rapid pace through the use of their ploughed back profits'.

Although it was intended to introduce the necessary legislation next April, it would not be practicable to bring the scheme into force immediately. Income tax assessments would continue to be made on companies under the existing system for 1965–66, and it was expected that the first profits to which the new corporation tax would apply would be the profits of the period immediately following that which formed the basis for 1965–66. The rate of the tax would depend on the financial and economic situation at the time.

Uncertainty

A corporation tax is not a new or untried idea. It has been in operation for some time in the U.S.A. and in several continental countries where it is functioning not unsatisfactorily. But a tax which fits quite well into the context of a particular tax system does not necessarily fit equally well into the context of a different system.

The majority report of the Royal Commission on the Taxation of Profits and Income (1955, Cmnd 9474) was strongly against what it called a 'single-tier tax system for companies' and, as appears from the White Paper entitled *A Scheme for an Accounts Basis for Income Tax on Company Profits* (1964, Cmnd 2347), recent discussions with the Inland Revenue have led to the advice from industry (which was accepted by the former Chancellor, Mr Reginald Maudling) that schemes which had been considered for the amalgamation of income tax and profits tax were not satisfactory.

Possibly, this somewhat chilly background did not pave the way for an enthusiastic reception of the new tax; but what was even more disturbing at the time of the announcement was the almost complete absence of any information as to the precise form the new tax would take in Britain and the manner in which it would operate in different circumstances. Would the

rate of tax be punitive or show a bias against companies? Would investment income be charged to the tax, two, or in some cases three, times over? How would foreign income be treated which had borne a higher rate of tax than the new corporation tax? Would the special status of overseas trade corporations be maintained in the light of the minority report of the Royal Commission? And what of investment allowances, assuming a lower rate of corporation tax than the present combined rate of income tax and profits tax. These uncertainties interfered with the efficient working of the financial machine and played their part in the recent speculation against sterling.

More Information

Recognizing the paralysing effects of uncertainty on the investment machinery of the City, the Government has recently been at pains to alleviate the worst fears regarding the incidence of the two new taxes. It was stated in the Press on November 26th, (i) that the corporation tax would not be punitive and would not be used in itself to impose heavier tax burdens on companies; (ii) that if it were fixed so as to bring in the same yield as the present profits tax of 15 per cent and the income tax rate of 8*s* 3*d* which comes into force next April, it would need to be at a rate of approximately 35 per cent; (iii) that no question of double taxation would arise from the corporation tax, so that the income of investment trusts, insurance companies and other institutions would not be taxed twice over; and (iv) that the new capital gains tax should not be regarded as a Socialist device directed against the City, but that it might well follow closely the lines of the United States capital gains tax.

Later, in a written Parliamentary answer to Mr Lubbock, the Liberal Whip, who had asked at what percentage corporation tax would have to be levied on the net profits of companies so as to yield the same total revenue as income tax and profits tax for 1963–64, assuming that profit and net dividends remained the same, the Chancellor of the Exchequer replied:

> 'A corporation tax at the rate of 35 per cent would bring in revenue equivalent to the combined yield of income tax at 8*s* 3*d* in the £ on undistributed profits and profits tax at 15 per cent on total profits. A change of 1 per cent in the rate of corporation tax would then affect the revenue by approximately £30 million . . . the introduction of this new scheme is not intended to impose penal burdens upon the company sector. The precise rate of tax will be determined by the revenue requirements at the appropriate time.'

Commenting on this statement, *The Daily Telegraph* for November 28th, points out that it adds nothing to the information already 'leaked' and that the Chancellor has not committed himself to a maximum rate of 35 per cent, but has left himself a free hand short of the 'penal' level. The point the Government wanted to emphasize, said the *Telegraph*, was that revenue needs would be the determining factor, and that the substitution of one form of tax for two others would make no difference to the total that had to be raised, and thus to the total burden on companies.

On the information so far available concerning the proposed corporation tax, three points immediately spring to mind:

(*a*) a corporation tax does impose a measure of double taxation of company profits, whatever may be said to the contrary, as was found by the majority report of the Royal Commission;

(*b*) the rate of 35 per cent referred to by the Chancellor is said to be equivalent to the combined yield of income tax at 8*s* 3*d* in the £ on *undistributed* profits and profits tax at 15 per cent on total profits, whereas the actual equivalent (as computed by *The Financial Times, Investors' Chronicle* and *Stock Exchange Gazette*) in the case of the average company in *The Financial Times – Actuaries* 500-share index with 1·75 times cover for its ordinary dividend and paying out in preference dividend about 7½ per cent of the amount it pays in ordinary dividend, is 38¾ per cent; and

(*c*) any future increase in corporation tax will affect the whole of company taxation whereas, under the present system, an increase in profits tax will affect only part of company taxation.

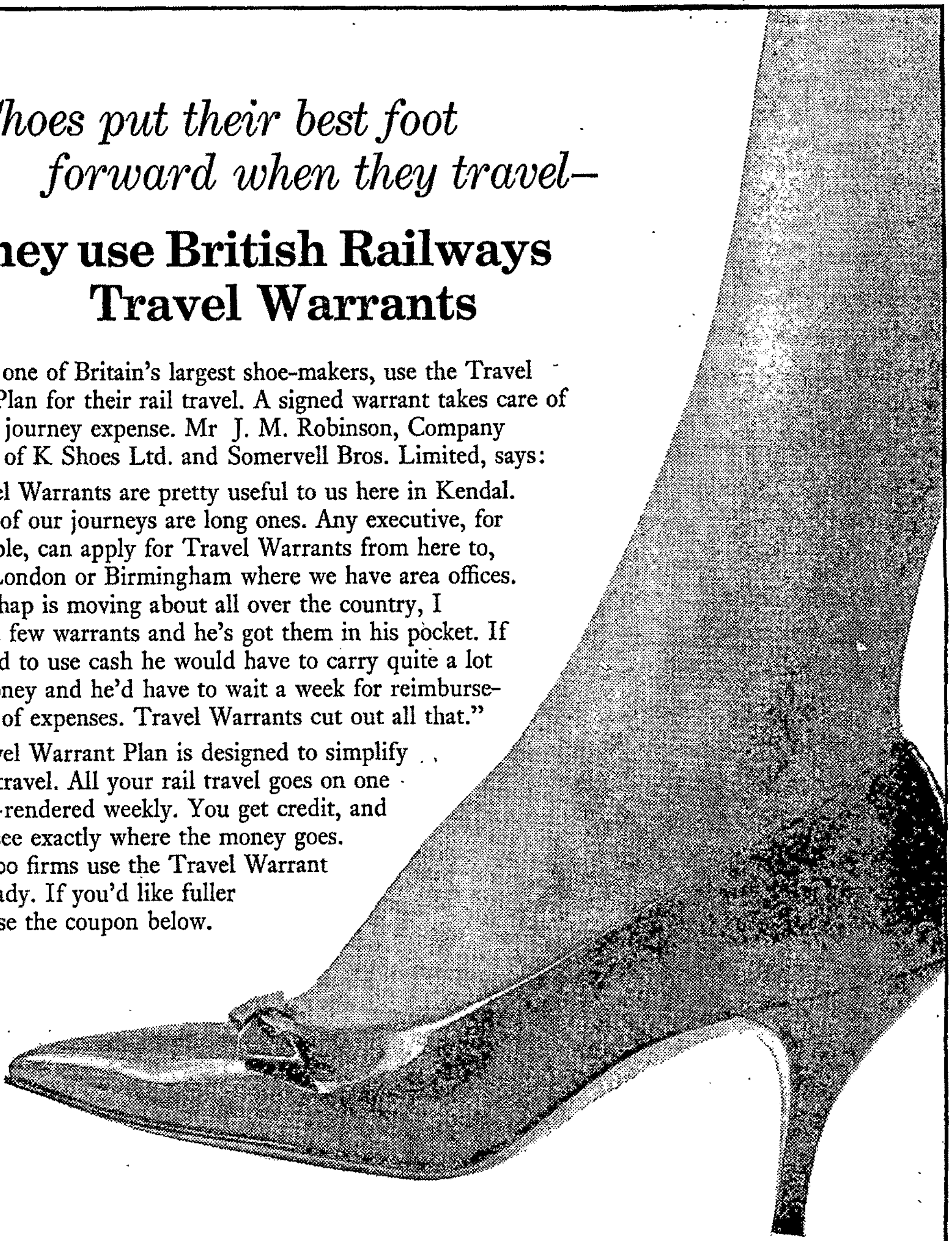
Another very important point is that, with a single corporation tax, the whole basis of calculating cover for dividends will be altered, since dividends will no longer be paid out of company income which has already borne income tax, but will be paid gross, less income tax which the companies will collect as agents for the Revenue. All these points will be further discussed later on.

The Royal Commission

The majority report of the Royal Commission on Taxation said that if profits had, in the company's hands, borne corporation tax at a rate equal to or greater than the standard rate of income tax, the corporation tax payable should

K Shoes put their best foot forward when they travel—

they use British Railways Travel Warrants



K Shoes, one of Britain's largest shoe-makers, use the Travel Warrant Plan for their rail travel. A signed warrant takes care of every rail journey expense. Mr J. M. Robinson, Company Secretary of K Shoes Ltd. and Somervell Bros. Limited, says:

> "Travel Warrants are pretty useful to us here in Kendal. A lot of our journeys are long ones. Any executive, for example, can apply for Travel Warrants from here to, say, London or Birmingham where we have area offices. If a chap is moving about all over the country, I sign a few warrants and he's got them in his pocket. If he had to use cash he would have to carry quite a lot of money and he'd have to wait a week for reimbursement of expenses. Travel Warrants cut out all that."

The Travel Warrant Plan is designed to simplify business travel. All your rail travel goes on one account—rendered weekly. You get credit, and you can see exactly where the money goes. Over 5,000 firms use the Travel Warrant Plan already. If you'd like fuller details, use the coupon below.

British Railways Travel Warrants

SAVE TIME SAVE TROUBLE

To: Chief Accountant, British Railways Board, 203 Eversholt Street, London NW1.

Please send me full details of the Travel Warrant Plan

NAME..

COMPANY..

ADDRESS.. A.C.

be regarded as an acquittance from standard rate income tax when the profits passed into dividend income of the shareholders. But that if the rate of corporation tax was less than the standard rate of income tax, income tax liability in respect of the related dividends should be treated as discharged in part only, a balance equal to the difference between the two rates remaining due. The report then went on to consider machinery whereby an appropriate share of the corporate tax could be credited to the individual shareholder as an offset against his income tax liability, but was unable to find any easy solution to the problem. It concluded by saying:

> 'It must also be expected that other objections would reveal themselves if a scheme went forward. We were forced to conclude that a scheme of this sort possessed complications which would make it sadly burdensome both for the companies within its scope and for the Inland Revenue Department.'

Commenting on the majority view that a corporation tax would constitute 'double taxation' if the shareholder were subjected to income tax on his dividends without allowance for the fact that the profits from which the dividend was drawn had paid corporation tax in the company's hands, the minority report claimed that once it was recognized that the tax paid by companies was a different tax from the income tax paid by individuals, so that the one could be levied at rates which were quite independent of the other, the principles of equity

> 'no more require us to offset the payment of the (corporation) profits tax against the individual's liability to income tax than to call for such a tax credit in connection with the many other taxes, such as local rates, the petrol duty or the stamp duty, the incidence of which directly or indirectly falls on the individual income tax payer'.

On the other hand, the minority report does contain a crumb of comfort for companies and their shareholders, if it can be expected to carry some weight with the Government now that one of its signatories, Dr Nicholas Kaldor, is a principal economic adviser to the Government. Paragraph 217 (12) of the report reads as follows:

> '33⅓ per cent should be regarded as the appropriate rate for the tax on corporate profits at the present level of taxation (June 1955, with income tax at 8*s* 6*d* in the £ and a two-tier system of profits tax in operation), and in the light of the charge to be imposed on capital gains. The tax should initially be charged at 40 per cent, which is the equivalent of the present taxes falling on companies, but the rate should subsequently be reduced as an offset to the revenue from the newly imposed tax on capital gains until it is reduced to 33⅓ per cent'.

Well, a new and stiffer capital gains tax is to accompany the proposed corporation tax, so that the necessary ingredients for implementing paragraph 217 (12) will be present, should it be thought fit to do so. But it is well within memory that in 1958, when single-tier profits tax at 2*s* in the £ was substituted for two-tier tax, and met with general approval from industry and commerce, it was not long before the 2*s* rate was raised to 3*s* in the £. When the Government, whatever its complexion, is looking round for additional revenue, it seems that a recently introduced tax, or an old tax in new guise, can be quite a sitting target.

The White Paper

In his Budget speech on April 3rd, 1963, the then Chancellor, Mr Reginald Maudling, said that although he accepted the advice of industry that the schemes which had been considered for the amalgamation of income tax and profits tax were unsatisfactory, he was sure there were improvements which could be made in the income tax code for companies and he would like to find a common basis of assessment for income tax and profits tax. The Inland Revenue was accordingly examining with outside experts the possibilities of bringing the taxation of company profits for income tax on to an accounts basis, as it already was for profits tax, which would remove many of the complications and anomalies which were inherent in the present provisions dealing with the opening and closing years of a business.

The White Paper (Cmnd 2347) states that the Revenue has now worked out a scheme for assessing companies on an accounts basis and has discussed it with the outside experts who consider it a distinct improvement on the present system; but they suggested the desirability of giving ample time to business men and their advisers to examine the detailed provisions which would be necessary to bring the scheme into effect, and had asked that draft clauses should be published well in advance of their actual inclusion in a Bill. The former Chancellor had agreed to this request and had authorized the drafting of the main provisions of the scheme which were set out in the White Paper.

Since companies will no longer pay income tax when the corporation tax becomes operative (though they will presumably deduct standard rate income tax from dividends and pay it over to the Revenue), it seems that the corporation

tax will not be chargeable for years of assessment, as in the case of income tax, but for chargeable accounting periods, as in the case of profits tax. If this is so, the White Paper affords some clue as to the preliminary spade work which may be necessary and the complexity of the transitional provisions. It states (on page 5) that the main features of the scheme for an accounts basis for company profits are as follows:

(*a*) assessments on the trading profits of companies would be made, not for years of assessment, but for accounting periods;

(*b*) the rate of tax fixed for any income tax year would be applicable to the profits of any accounting periods, or parts of accounting periods, falling within the previous income tax year;

(*c*) in the case of existing companies which keep their existing accounting dates, tax will continue to be payable on January 1st each year. The due date for companies which advance their accounting date will be advanced accordingly. For new companies the date will be nine months after the end of the accounting period;

(*d*) on cessation, a company whose trade started before the new scheme was introduced will, in general, be given relief from tax on the smaller of the two following amounts:

(i) the profits of the period of x months which would have escaped assessment if the company had in fact ceased to trade immediately before the new scheme was introduced;

(ii) $\frac{x}{36}$ of the profits of the last thirty-six months before cessation.

In next week's article reference will be made to capital allowances, and the practical effect of the corporation tax on dividends and retentions so far as it can be judged at the time, will be discussed together with examples.

Weekly Notes

NATIONAL ECONOMIC DEVELOPMENT COUNCIL APPOINTMENTS

As previously stated in these columns, recent changes in Whitehall presage a new era for the National Economic Development Council. Instead of being primarily a planning body, it will henceforth provide a forum in which both sides of industry can discuss with the planning departments of the Government the formulation and implementation of future economic plans and policies. As before, the Council comprises members from management, trade unions, the nationalized industries, the Government, as well as independents.

The original members were appointed for a period of two years, and now with the change of Government, in which the first Secretary of the Treasury, i.e. Mr George Brown, replaces the Chancellor of the Exchequer as chairman, there are several changes in the membership of the Council. Dr Beeching, Mr F. A. Cockfield, Lord Franks, Sir Cyril Harrison, Sir John Hunter and Sir John Toothill, F.C.W.A., are retiring. Replacing them are Mr John Davies, M.B.E., F.C.A., Sir Peter Runge, Sir Denning Pierson, and Mr K. A. Keith, representing industry; a newcomer among the independents is Mr W. Coutts Donald, C.A., F.C.W.A., and, representing the nationalized industries, Sir Ronald Edwards, K.B.E., D.S.C., A.A.C.C.A., chairman of the Electricity Council. In contrast to the former membership, there are now three members of the profession on the Council – Mr Davies, of the English Institute, Mr Coutts Donald, of the Scottish Institute and The Institute of Cost and Works Accountants, and Sir Ronald Edwards, who is a member of The Association of Certified and Corporate Accountants. No doubt a fortuitous, but nevertheless gratifying balance of accounting representatives.

ECONOMICS OF LAND

According to Dr D. R. Denman, Head of the Department of Land Economy in the University of Cambridge, writing in his new Hobart Paper entitled *Land in the Market*[1] 'a great deal of rhetoric is deployed even in responsible quarters about land speculators'. The author can afford to be charitable in his comments, but there will be considerably less excuse for the sort of emotive nonsense which the politicians have been talking on this subject if Dr Denman's paper is read as widely as it should be.

The essence of Dr Denman's case is that land is a commodity which is bought and sold in a market which, in his view is well served, as is society, 'by active property investors prepared to act as middlemen in the hazardous but tantalizingly profitable venture of shaping supply to meet demand'. He points out that planning decisions, which decisively affect property rights, introduce a real risk into landownership which not all developers are prepared to take. The existence of such risks tends to restrict supplies of land which in turn tends to raise prices.

[1] Hobart Paper No. 30, Institute of Economic Affairs. Price 4*s* net.

Nevertheless, for all the public assertions that high land prices are forcing up the prices of houses, a Ministry of Public Building and Works investigation in 1964 revealed that the proportion of the land factor in house prices was the same in that year as it was in 1938. The exceptional rise in land prices between 1939 and 1959 was not reflected in a corresponding rise in house prices or building plots; it merely resulted in higher building densities.

The much publicized Lands Commission which the present Government proposes to create is expected by many critics to create as many problems as it may resolve. According to Dr Denman 'if land nationalization is not to lead directly to totalitarianism under an oligarchy exercising nigh absolute rights of ownership in the appropriated land, inferior interests must be created . . . with freedom of sale'. In the end, he writes, 'there will be precious little to distinguish these interests from our familiar freeholds when it comes to selling them on the property market'. Nor is the author encouraging in his views on the demand for leasehold enfranchisement, for which views he finds strong support in the reports of two recent Government committees of inquiry. Dr Denman's comments should certainly start a lively discussion.

LOCAL GOVERNMENT FINANCE

OVER the past ten years, although the trend of local government expenditure has been markedly upward, it has taken only a slightly increased proportion of the gross national product. According to a newly-published report of the Association of Municipal Corporations, the future trend of expenditure will result in a greater claim by the public sector on national resources. The report notes 'there is no firm evidence that local rates as yet impose any undue burden', but it does recognize that in some cases that stage is very near. It sees no satisfactory substitute for the rate as a source of local revenue, although it suggests that rateable values might perhaps be based upon capital instead of hypothetical rentals; that the possibilities of site value rating should be further examined and that agriculture should bear its fair share of the local rate.

Reviewing the grant system, the report considers the present proposals for a separate grant for education, but in assessing the implications of such a change, it notes that it should not endanger the retention of local administration of education. This could be a forlorn hope.

In an interesting review of the grant structure, the report suggests that more research into the general grant formula is needed. Certainly the disparity between the proportion of overall expenditure contributed by grants and rates in different local authorities varies widely, from the 71 per cent of expenditure in Merthyr Tydfil met out of grants, compared with 38 per cent and 34 per cent in Blackpool and Oxford, respectively.

In the field of capital expenditure, local authorities have serious problems. In the last ten years, total debt has risen two and a quarter times, and of this sum, probably 70 per cent is for housing. The average rate of interest during the same period has risen by one and a half points, although more burden has arisen from the actual increase in debt than from the rise in interest rates. It is noteworthy that the report suggests that unless some new and 'sophisticated' means can be found of lending money to local authorities at low interest rates without what would amount to a concealed subsidy, borrowing should be at normal market rates of interest with, however, 'appropriate increase in subsidies and grants'.

This is a most valuable report, which rightly recognizes that unless local authorities themselves can provide some acceptable answers to the many problems besetting local government at the present time, Whitehall might well impose its own answers.

NINE MONTHS FOR FALSE CLAIMS

THE Court of Criminal Appeal has upheld sentences aggregating nine months' imprisonment passed on a man who pleaded guilty to an indictment containing three counts of making a false statement to the Inland Revenue. The appellant, Douglas Butler, a labourer, aged 59, at present detained in H.M. Prison, Thorp Arch, had been married for twenty-six years in 1955, when his wife left him. Since then he had gone on receiving the higher personal allowance. In 1958 he was required to fill a form in which he represented that his wife was still living with him.

Giving the judgment of the Court, Mr Justice Paull said (according to *The Times* of November 24th) that the only point to consider was whether there was anything wrong in principle with that sentence – sending a man to prison who, year by year, had been cheating the Inland Revenue. The answer was No. Nor was the length of sentence wrong. This was not a deliberate defrauding on one occasion only.

The Court fell in with the appellant's counsel's suggestion that Butler should not lose any time by reason of the application. His employers had, it seemed, taken steps to bring the application before the Court.

THREE YEARS FOR FALSE TAX RETURNS

AT the Central Criminal Court on November 23rd, Thomas William Parker, aged 57, of Palace Green, Kensington Palace Gardens, W, who had been described as a millionaire and owner of the Colony Restaurant, Berkeley Square, W, pleaded guilty to twenty-two charges alleging that he caused false returns in respect of three companies to be submitted to an Inspector of Taxes between 1951 and 1963, with intent to defraud the Revenue. The companies were Home Counties Plant Hire Ltd, haulage contractors, of Roebuck Road, Ilford, Essex; Daniel T. Jackson Ltd, of the same address, and Robinson Bros Ltd of South Woodford, Essex. The sum involved was £97,754. It was alleged that

unrecorded moneys from the companies were taken to Parker in a shoe box or an attache case, and that personal expenses of Parker were charged in his companies' accounts. He was sentenced to three years' imprisonment.

Charged with Parker was Albert Edward Bassett, aged 59, insurance broker, of The Causeway, Sutton, Surrey, who pleaded guilty to two counts of aiding and abetting Parker. The two men pleaded not guilty to charges of conspiring together and with others between 1949 and 1962 to cheat and defraud such persons as might be induced to accept the accounts of Home Counties Plant Hire Ltd. These pleas of not guilty were accepted by the Court.

It was said that Bassett had aided and abetted to the extent of £6,716 only. This was in connection with the charging of insurance premiums as expenses deductible for tax purposes. He was in a small way of business, and, said counsel, no doubt was anxious to keep in with Parker as an important client. He had assisted Parker at the cost of honesty and straightforwardness. Bassett was fined £3,000 and given twelve months to pay, but in default there will be a sentence of nine months' imprisonment.

This is My Life . . .

by An Industrious Accountant

CHAPTER 253

'MR Brown, of Brown & Co, to speak to you, sir', said the switchboard operator, and a voice boomed in my ear a moment later. 'Want to ask you about young Robinson in your costing section, old boy', he commenced. 'We're considering offering him a job; remember that assistant chief accountant vacancy we advertised; well, he had a pretty good interview . . .'.

I cut in firmly but politely. 'This isn't quite the sort of thing for a telephone conversation, is it? Perhaps elsewhere . . .' but Brown interrupted in turn. He's one of those hearty, self-satisfied types who likes to dominate the situation. 'That's all right with me', he answered. 'We like to move fast here, you know. If you give him the good word we'll sew it up right away. Would you recommend him as a sound man to clean up our problems?'

Well, Robinson is a quiet, hard-working, sort of chap who keeps to himself, but he's always been accurate and reliable. Not actually dynamic, but precise and watchful. I outlined this sort of picture to Brown, who apparently wasn't listening. He thinks the ideal conversation is a monologue by himself. 'I was impressed by his wide experience with you, considering his youth', he told me. 'Ability to handle the payroll by himself is jolly useful.'

It sounded as if young Robinson had over-sold himself somewhat, since to my definite knowledge he'd only had three weeks as number two on the payroll on summer holiday relief. There were angles to week-end overtime, not to mention P.A.Y.E. adjustments, which he'd scarcely seen. 'I'd prefer to discuss the matter on a private line', I said rather stiffly. 'His payroll experience is perhaps limited, but he's . . .' Brown interrupted again with a remark that he had all the details in black and white already and it was only a good recommendation that he wanted. I gave him what he wanted if that's how he liked it, and he rang off with a cheerful jibe at my misfortune in losing a good man so easily.

I pondered over Brown's ham-handed approach. How many aspiring young accountants are thus discussed behind their backs, even though Brown's advertisement, come to think of it, had a reference to applications being treated in strict confidence. How easy to wreck a promising career, or to deny promotion by an adverse phrase or a significant ambiguity. Personally I always encourage qualified men in their early days to change their positions for the sake of broadening their experience – particularly if there's little prospect of early promotion in their own firms. But Robinson had never grumbled about his lack of scope . . . true our chief cost accountant likes to rule his own roost . . . has he kept his staff too suppressed, I wonder?

When Robinson arrived to give his notice I congratulated him and wished him all the best. He wasn't responsive; he wasn't very communicative. He said he'd no complaints, he'd got on well here, he just wanted a change. He didn't say he'd miss us, or thanks for all we'd done for him, or he'd see us again. He suddenly seemed to ooze complacent self-assurance, like a cat that's been at the cream. Distribution, he said in condescending style, was rather low-level stuff really, you know; manufacturing was the life-blood of industry. He'd got his big chance; he'd really clean up Brown & Company. New blood was needed to blow away the cobwebs, to scrap the fusty old quill-pen stuff by expanding into continental markets through marginal pricing and dynamic merchandising . . . and so on *ad nauseam*.

I remembered Prinny, our personnel director, had a stock question for high-level interviews, which he used to time adroitly when the talk was running freely, so I trotted it out: 'How do you see yourself in ten years' time?' I asked. 'Why, as financial director . . . maybe as managing director', the answer came pat from Robinson.

Listening to his smug talk I had a sudden awful feeling that poor old Brown might one day be sorry that he hadn't given more time to his telephone inquiry.

Finance and Commerce

Calico Printers

THIS week's reprint is from the report and accounts of The Calico Printers' Association Ltd. Prominent in the report is a two-page opening showing 'Structure of the Group', the main emphasis being on the splitting of the group into five main divisions – industrial, merchanting, retail, making-up and overseas – the structure having been introduced at the start of the current 1964–65 financial year. Unfortunately the only 'splitting up' in the profit and loss account is to show royalty income and investment income separately from trading profits. Royalty income stems from royalties on sales of polyester fibres manufactured abroad under sub-licences. The original United Kingdom 'Terylene' royalties have run off.

The Association's retail division has been considerably expanded recently through acquisitions, including Hide & Co, and the Posner household linen shops. Allied to the retail division is the newly-acquired Oxendale mail order business. The current year will show the full effect of these deals and the next accounts could therefore prove a useful opportunity for breaking down profits by divisions.

Meanwhile there has been a major reappraisal of assets and some major balance sheet changes as a result.

Revaluation

In view of the increasing investment in the retail trade, the balance sheet, it is considered 'proper', should show the present value of fixed assets employed, on the one hand in the Association's traditional business and on the other in the newer fields. A revaluation of the Association's fixed assets and of the retail properties has resulted in a writing down

THE CALICO PRINTERS' ASSOCIATION, LIMITED AND ITS SUBSIDIARY COMPANIES
SCHEDULE OF FIXED ASSETS AS AT 30th JUNE 1964

	The Association		Subsidiary Companies			Group Total	
	£	30th June 1963 £	Book Value £	Depreciation £	Net £	£	30th June 1963 £
Land, Water Rights, Effluent Works, Works and Warehouse Buildings and Dwelling Houses							
At professional valuation at 30th June, 1964 .	4,369,955	4,819,005				4,369,955	4,819,005
At professional valuation 1957 plus additions at cost less sales			731,423	21,234	710,189	710,189	589,661
At cost			468,187	72,281	395,906	395,906	370,692
Shop and Office Premises							
At Directors' valuation, 1964* . . .			5,908,233	—	5,908,233	5,908,233	} 698,765
At cost			530,218	195,279	334,939	334,939	
Plant and Machinery including Works and Office Fixtures and Fittings and Motor Vehicles							
At Directors' valuation at 30th June, 1964* .	3,280,445	6,681,468				3,280,445	6,681,468
At professional valuation 1957 plus additions at cost less sales			1,733,913	548,325	1,185,588	1,185,588	953,923
At cost			1,168,408	587,450	580,958	580,958	447,919
Shop Fixtures and Fittings and ancillary equipment							
At cost			1,991,909	823,816	1,168,093	1,168,093	394,312
Equipment on rental to customers							
At cost			284,274	88,100	196,174	196,174	—
Copper and other Rollers							
As valued by Association Officials . .	718,214	547,562				718,214	547,562
Designs, Engraving and Sampling . .	—	249,787				—	249,787
Sundry Assets at 1948 Net Book Value less sales and amounts written off . . .	—	—	166,351	104,627	61,724	61,724	69,127
	8,368,614	12,297,822	£12,982,916	£2,441,112	£10,541,804	18,910,418	15,822,221
Less:							
Unspent Balance of Maintenance and Upkeep Account	—	1,307,043				—	1,307,043
Fixed Assets per Balance Sheet of the Association	£8,368,614	£10,990,779	**Fixed Assets per Consolidated Balance Sheet**			£18,910,418	£14,515,178

* The Directors have revalued the Fixed Assets referred to on the following bases:

1 As regards Freehold and Leasehold shops and other properties, in accordance with an independent professional valuation, adjusted so that no value is attributed to the last five years of any leasehold tenancy.

2 As regards Plant & Machinery and Motor Vehicles of the Association in Active Works, written-down values for taxation purposes have been adopted. Plant & Machinery in Closed Works has been written down to realisable value.

of the Association's fixed assets by £3,900,000 and a surplus on revaluation of retail properties, other than those of Hide, of £1,290,000. Properties of Hide have been brought into the accounts at the values shown by the revaluation.

Following the revaluation of the Association's fixed assets, a normal system of depreciation is to be adopted in place of the renewals system operated since the Association's foundation, but the current year charge is not expected to differ materially from that of the year under review. The unspent balance of maintenance and upkeep account has been applied to writing down fixed assets, the balance of the writing down being charged to capital reserve.

Capital reserve has also been drawn on to write off the excess of cost of shares in subsidiaries over book value of net assets, £1,150,000 being in respect of newly-acquired companies. General reserves have absorbed 'Contingencies reserves' and 'Reserves against investments stocks and debtors' and have also been reduced by £4,021,000 capitalized during the year. The reserve against overseas investments has been retained.

Variations on a Theme

MANY and varied are the ways in which company chairmen describe immediate profit prospects. The paragraph invariably headed 'The Future' is probably the most difficult to compile in any chairman's review, but sometimes the difficulties stand out between the lines a little too clearly.

The double negative is a popular descriptive method – 'there is no reason to believe that, provided there are no unforeseen difficulties outside our power to control, the current year's profits will not prove satisfactory' – is a theme on which there are an infinite number of variations. But a variation that caught the eye recently was from Mr Henry C. Reed,

THE CALICO PRINTERS' ASSOCIATION, LIMITED AND ITS SUBSIDIARY COMPANIES

MOVEMENTS IN RESERVES

	Association £		Group £
1 Capital Reserves			
as at 30th June 1963		6,865,530	7,832,760
add			
Surplus on revaluation of Retail Properties			1,290,181
Surplus on realisation of Assets			28,078
		6,865,530	9,151,019
deduct			
Amount written off Fixed Assets of Association on revaluation:			
Land, Buildings and Houses	512,269		
Plant and Machinery	3,387,751		
	3,900,020		
less Unspent Upkeep	1,436,429		
	2,463,591		2,463,591
Designs, Engraving and Sampling, written off	249,787		249,787
Excess cost of Shares in Subsidiaries over value of Assets represented thereby	1,178,002		1,213,535
Goodwill of Businesses acquired written off	295,600		295,600
		4,186,980	4,222,513
Capital Reserves at 30th June 1964		£2,678,550	£4,928,506
2 General Reserves			
as at 30th June 1963		4,250,000	4,887,121
Transfer from Other Reserves:			
Contingencies		1,173,437	1,212,936
Investments, Stocks and Debtors		1,296,583	1,463,881
Appropriation Statement Transfer		500,000	500,000
		7,220,020	8,063,938
deduct			
Capitalised and employed in paying up 16,085,888 new Ordinary shares of 5s. each		4,021,472	4,021,472
General Reserves at 30th June 1964		£3,198,548	£4,042,466

NOTES ON THE ACCOUNTS

1 The Accounts of Subsidiary Companies incorporated in the Consolidated Accounts are made up to the 30th June 1964 with the following exceptions:

The Accounts of one Company having Overseas Branches are made up to 31st December 1963 to avoid delay in the issue of Consolidated Accounts.

The Accounts of ten Overseas Companies, one Company having Overseas Branches and a related Company and three newly acquired Companies trading in the United Kingdom, are made up to 31st March 1964 for the same reason.

The Accounts of the forty-five Companies in the Hide Group are made up to 31st January 1964, which marks the end of a trading season for the business conducted by the Group.

2 No account has been taken of any profits earned by the Hide Group subsequent to 31st January 1964 except that the retail shops of Barnett-Hutton were integrated with the Association's pre-existing retail subsidiaries from 1st April 1964.

3 No depreciation has been provided in respect of Freehold Properties. Depreciation of the Association's Copper and other Rollers has been provided for by means of a revaluation at 30th June 1964.

4 The Association has appropriated a further £100,000 towards the provision of its estimated liability under the Cotton Finishing Reorganisation Scheme, a total to date of £600,000. The unexpended balance of this provision is shown as a Deferred Liability in the Balance Sheet.

5 The retained profits of Subsidiary Companies overseas would be liable to United Kingdom taxation, less the appropriate Double Tax Relief, if remitted as dividends to the Association.

6 On 10th April 1964 the authorised capital was increased to £16,000,000 and the issued Ordinary Capital was increased by £4,021,472 by a scrip issue following the capitalisation of that amount from General Reserve. On 17th April 1964, £4,021,472 6½% Convertible Unsecured Loan Stock 1984–89 was offered at par and subsequently issued.

The Loan Stockholders have the right between 1st November and 30th December in any of the years 1965, 1966 and 1967 to convert such stock into fully paid Ordinary Shares of 5s. each on the basis of 200, 190 and 180 shares respectively, for each £100 of stock.

As at 30th June 1964, 708,484 5½% Cumulative Preference Shares of £1 each had been issued by the Association as part consideration for the purchase of Hide & Co. Ltd. and a further 26,951 shares have been issued subsequent to that date.

7 The Association holds £51,420 of the 4% Perpetual First Mortgage Debenture Stock at a book value of £29,566 (being equivalent to market value at 30th June 1964).

8 Agreement has now been reached in principle with the Inland Revenue on the basis on which the Association may claim for 1960–61 onwards normal capital allowances instead of renewals expenditure as hitherto. It is expected that when the computations concerned are finally settled there will be an over-provision for taxation in respect of the relevant years amounting in aggregate to approximately £450,000.

Further, the negotiations with the Inland Revenue in the matter of capital receipts in connection with polyester fibre patents have reached a stage where the Association has reason to believe that its liability for taxation in respect of such receipts will not exceed £100,000. This amount is included in the provision for Current Taxation.

9 The Association's Deferred Liability for Income Tax has been credited with £1,065,000 the amount chargeable for the Association's year, and debited with £785,575 the amount which became a Current Liability during the year.
In the case of the Group the corresponding figures are respectively, £1,324,325 (£1,406,545 less Double Tax Relief against Income Tax £82,220) and £791,139.

10 There are Contingent liabilities in respect of bank guarantees, drafts negotiated and shares partly paid amounting to £300,145 (Association) and £368,565 (Group).

11 Commitments in respect of Capital Contracts not provided for at 30th June 1964, were in the case of the Association £931,384 and in the case of the Group £1,166,158.

12 Foreign Currencies have been converted into Sterling on the following basis:
Fixed Assets at the rates ruling at the dates of acquisition.
Current Assets at the rates ruling at the dates of the Balance Sheets.

THE CALICO PRINTERS' ASSOCIATION, LIMITED AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 30th JUNE 1964

	£	£	£	30th June, 1963 £	30th June, 1963 £
TRADING PROFIT OF THE GROUP (Note 2)			2,678,354		1,510,663
less Provision for Maintenance, Depreciation, Repairs, Renewals and Upkeep (Note 3)			1,394,950		1,410,160
			1,283,404		100,503
Royalties			2,803,450		2,784,868
Income from Investments					
Associated Companies		124,114		132,879	
Government and Other Securities		97,741	221,855	99,782	232,661
			4,308,709		3,118,032
less					
Debenture Interest					
The Association	128,000			128,000	
Subsidiary Company	6,750	134,750		6,750	
Interest on Unsecured Loan Stock		38,672		—	
Remuneration of Directors of the Association					
Fees	9,467			8,835	
Management Services	151,737	161,204		136,743	
			334,626		280,328
PROFIT BEFORE TAXATION			3,974,083		2,837,704
less					
United Kingdom Taxation					
Income Tax on Profits of the Year to date	1,406,545			1,167,315	
Profits Tax for the Year to date	519,740			411,785	
	1,926,285			1,579,100	
less Double Taxation Relief	274,545			284,913	
		1,651,740		1,294,187	
Commonwealth and Foreign Taxation		365,774		350,188	
		2,017,514		1,644,375	
less Adjustments to UK Taxation in respect of previous years		19,863	1,997,651	8,093	1,636,282
NET PROFIT OF THE GROUP			1,976,432		1,201,422
less Proportion of Net Profits of Subsidiary Companies attributable to Minority Shareholders			12,908		10,086
NET PROFIT attributable to Association Shareholders			1,963,524		1,191,336
less Current year's profits retained by Subsidiary Companies			348,663		171,878
NET PROFIT OF THE ASSOCIATION			£1,614,861		£1,019,458

The Notes on page [718] form part of this Statement

APPROPRIATION STATEMENT

	£	£	£	30th June, 1963 £	30th June, 1963 £
NET PROFIT OF THE ASSOCIATION			1,614,861		1,019,458
Expenses in connection with increase in the Association's Capital, Scrip issue and issue of Unsecured Loan Stock			140,173		—
			1,474,638		1,019,458
Balance from Previous Year			509,101		540,838
Transfer from Stock Reserve			—		500,000
			1,983,789		2,060,296
Appropriations					
Dividends, less Tax *:					
On 5½% Preference Shares					
Paid for half-year to 31st December, 1963	54,405				
Proposed for half-year to 30th June, 1964	60,907	115,312		96,986	
On 7½% Second Preference Shares Accrued for two months to 30th June, 1964		3,158			
On Ordinary Shares					
Interim paid at the rate of 8%	197,052				
Final proposed at the rate of 10%	547,755	744,807		554,209	
Transfer to General Reserve		500,000		500,000	
Transfer to Deferred Liabilities Cotton Finishing Reorganisation Scheme levy (Note 4)		100,000	1,463,277	400,000	1,551,195
Balance carried forward in the Association's Balance Sheet			520,512		509,101
Amounts retained by Subsidiary Companies (Note 5)			1,292,924		926,842
Balance carried forward in the Consolidated Balance Sheet of the Group			£1,813,436		£1,435,943

* The Dividends include the appropriate amounts relating to shares issued during the year or to be issued subsequently to the year ended 30th June 1964 in respect of the acquisition of Hide & Co. Ltd. and Oxendale & Co. (Proprietors) Ltd.

The Notes on page [718] form part of this Statement

**THE CALICO PRINTERS' ASSOCIATION, LIMITED
AND ITS SUBSIDIARY COMPANIES**

CONSOLIDATED BALANCE SHEET
30th JUNE 1964

	£ *Authorised*	£ *Issued*	£	30th June 1963 £	30th June 1963 £
Capital of the Association (Note 6)	16,000,000				8,500,000
5¼% Cumulative Preference Shares of £1 each	3,751,539	3,724,588		3,016,104	
Ordinary Shares of 5s. each	12,010,736	8,042,944		4,021,472	
Unclassified Shares of £1 each	237,725	—	11,767,532	—	7,037,576
	16,000,000				
Capital Reserves					
Capital Reserve of the Association		2,678,550		6,865,530	
Premium on Shares		1,470		1,470	
Other Capital Reserves		2,248,486	4,928,506	965,760	7,832,760
Revenue Reserves and Surplus					
General Reserves		4,042,466		4,887,121	
Contingencies Reserves		—		1,212,936	
Reserves against Investments, Stocks and Debtors		—		1,463,881	
Reserve against Overseas Investments		925,379		925,379	
Balance on Profit and Loss Account		1,813,436	6,781,281	1,435,943	9,925,260
Total attributable to Preference and Ordinary Shareholders in the Association			23,477,319		24,795,596
Minority Shareholders					
Shareholding in Subsidiary Companies and proportionate share of Reserves and Surplus			313,126		207,544
Debenture Stocks and Secured Loans					
The Association					
4% Perpetual First Mortgage Debenture Stock (Note 7)		3,200,000		3,200,000	
Subsidiary Companies					
4½% First Mortgage Debenture Stock	111,960			111,960	
6% First Mortgage Debenture Stock 1982/85	1,100,000			—	
Mortgage Loan	34,595			34,595	
		1,246,555	4,446,555		3,346,555
Unsecured Loan Stock					
The Association					
6½% Convertible Unsecured Loan Stock 1984/89			4,021,472		—
			£32,258,472		£28,349,695

R CULLEN *Chairman*
M H FERGUSON *Deputy Chairman*

	£	£	£	30th June 1963 £	30th June 1963 £
Fixed Assets					
Land, Buildings, Plant and Machinery, etc., per Schedule			18,910,418		14,515,178
Funds held on Trust for Debentureholders					
Investments at, or below, cost (market value £31,924)		31,924		69,011	
Cash at Bank and on Deposit		169,307		44,750	
		201,231		113,761	
Sinking Fund Policies in respect of Subsidiary Companies Debenture Stocks		60,362	261,593	53,992	167,753
Shares in and Amounts owing from Associated Companies					
Shares at, or below, cost		1,529,324		1,513,435	
Advances and Current Accounts		166,466	1,695,790	199,286	1,712,721
Current Assets					
Stock-in-Trade at, or below, cost	12,471,781			9,473,911	
Debtors, Bills Receivable and Payments in Advance	7,327,245			5,167,134	
Investments in Government and other Securities at, or below, market values:					
Quoted Investments (market value £831,904) £ 779,313				783,319	
Unquoted Investments 164,635	943,948			541,617	
Tax Reserve Certificates	10,685			10,240	
Cash in Hand and at Banks and on Deposit	2,288,467			3,017,649	
		23,042,126		18,993,870	
less **Current Liabilities**					
Creditors and Provisions	*5,438,631*			*2,834,164*	
Employees' Benefit Fund	*163,698*			*160,390*	
Deposits and Interest	*579,463*			*520,848*	
Secured Interest accrued on Debenture Stock	*53,333*			*53,333*	
Interest accrued on Unsecured Loan Stock	*38,672*			—	
Bank Overdrafts	*571,609*			*242,691*	
Provision for Income Tax and Profits Tax to date (Notes 8 and 9)	*2,344,544*			*1,544,573*	
Dividends Proposed (*less* Tax)	*611,820*			*417,966*	
	9,801,770			*5,773,965*	
Deferred Liabilities					
Income Tax 1964–65 and 1965–66 (Notes 8 and 9)	*1,347,106*			*813,920*	
Cotton Finishing Reorganisation Scheme levy (Note 4)	*532,579*	*11,651,455*		*451,942*	
			11,390,671	*7,039,827*	11,954,043
			£32,258,472		£28,349,695

The Schedules and Notes on pages [717-718] form part of this Balance Sheet

chairman of William Stones Ltd, the Sheffield brewers, who showed record pre-tax profits of £730,643 for 1963–64 against £593,505 previously.

In his statement with the accounts Mr Reed, after commenting on increasing competition, said: 'Our trade for the first three months of the current financial year is, however, comparable with that of twelve months ago and I am hopeful, therefore, that if this can be maintained and with the anticipated benefit from the improvements at the brewery, in particular a saving in transport costs, in a year's time we shall be able to show a profit which is not substantially less than the present one.'

Park Cake Bakeries Ltd

IN the issue of November 21st, we referred to Mr H. D. Leete, F.C.A., as the chairman of Park Cake Bakeries Ltd, followed by the statement, in parenthesis, that Messrs H. D. Leete & Co, Chartered Accountants, of Manchester, are the company's auditors. It has been pointed out to us that some ambiguity could arise from the fact that these two statements appear in the same sentence and we accordingly wish to make it clear that Mr H. D. Leete is in no way connected with Messrs H. D. Leete & Co. and has not been so connected at any relevant time.

CITY NOTES

AFTER the fitful fever of 7 per cent Bank rate and the $3,000 million Central Bank sterling reinforcement operation, the City hardly sleeps well. Failure to raise the Bank rate earlier made the 7 per cent rate, when it came, ineffectual and the reinforcement operation became essential.

It has also made essential a revision of Government economic policy. The crisis in sterling was a crisis of confidence and although sterling's line has been held, speculative probing at its strength is likely to continue.

Britain at present is in the hands of her creditors and they will want to see more realism in economic policy and a concerted effort towards the early correction of the balance of payments position rather than the formulation of longer-term policies.

This past week, sterling has settled down at the higher level which followed the Central Bank's action but the forward rate has tended to be uneasy. In the stock-markets there has been recovery in prices from the low level reached at the nadir of sterling's fortunes but business remains small and prices have a sagging tendency.

Under current conditions there can hardly be much incentive to turn from defensive to offensive investment policy. Committing funds to the market in any volume now cannot be undertaken with any great degree of confidence.

'Wait and see' still looks to be the policy even if that means waiting and seeing what next spring's Budget brings.

* * * *

THE National Commercial Bank of Scotland, which was the first bank to move towards hire-purchase finance through a subsidiary, marks another first with the opening of a ladies' branch in Princes Street, Edinburgh. The opening is planned for December 18th.

In the words of Mr Ian W. Macdonald, the Bank's chairman, it is hoped to provide, in an atmosphere of ease and relaxation, a fully efficient banking service.

The office will be under the charge of Miss Margaret Reid, the first lady to be appointed a bank manager in Scotland.

Another National Commercial Bank of Scotland development is the formation, jointly with Schroders Ltd, of a new merchant bank with headquarters in Edinburgh. Operations will begin next month and the main object of the new bank – which will have an initial issued capital of £½ million – will be to provide in Scotland a comprehensive modern merchant banking service.

RATES AND PRICES

Closing prices, Wednesday, December 2nd, 1964

Tax Reserve Certificates: interest rate 28.11.64 3½%

Bank Rate

Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%
Mar. 22, 1962	5%	Nov. 23, 1964	7%

Treasury Bills

Sept. 25	£4	13*s*	0·80*d*%	Oct. 30	£4	13*s*	11·61*d*%
Oct. 2	£4	13*s*	0·44*d*%	Nov. 6	£4	13*s*	5·09%
Oct. 9	£4	13*s*	0·96*d*%	Nov. 13	£4	13*s*	3·71*d*%
Oct. 16	£4	14*s*	0·69*d*%	Nov. 20	£4	14*s*	8·31*d*%
Oct. 23	£4	14*s*	5·44*d*%	Nov. 27	£6	12*s*	7·25*d*%

Money Rates

Day to day	5⅜–6⅝%	*Bank Bills*	
7 days	5¼–6¼%	2 months	6 $\frac{13}{16}$–6⅞%
Fine Trade Bills		3 months	6 $\frac{13}{16}$–6⅞%
3 months	7¾–8%	4 months	6 $\frac{13}{16}$–6⅞%
4 months	7¾–8%	6 months	6 $\frac{13}{16}$–6⅞%
6 months	8–8¾%		

Foreign Exchanges

New York	2·79 $\frac{3}{16}$	Frankfurt	11·10⅜
Montreal	3·00 $\frac{3}{16}$	Milan	1744 $\frac{5}{16}$
Amsterdam	10·03 $\frac{3}{16}$	Oslo	19·96⅝
Brussels	138·53	Paris	13·68¼
Copenhagen	19·30⅝	Zürich	12·04¾

Gilt-edged

Consols 4%	64 $\frac{5}{16}$	Funding 3% 59–69	89 $\frac{3}{16}$
Consols 2½%	40¼xd	Savings 3% 60–70	85 $\frac{7}{16}$
Conversion 6% 1972	102 $\frac{1}{16}$	Savings 3% 65–75	76¼
Conversion 5¼% 1974	93⅞	Savings 2½% 64–67	91 $\frac{29}{32}$
Conversion 5% 1971	96 $\frac{5}{16}$	Treas'ry 5½% 2008–12	88⅞
Conversion 3½% 1969	89 $\frac{31}{32}$	Treasury 5% 86–89	84⅞
Conversion 3½%	55 $\frac{13}{16}$	Treasury 3½% 77–80	73⅝
Funding 5½% 82–84	94½	Treasury 3½% 79–81	73⅝
Funding 4% 60–90	91⅞	Treasury 2½%	40⅜
Funding 3½% 99–04	63	Victory 4%	96½
Funding 3% 66–68	89½	War Loan 3½%	55 $\frac{5}{16}$

Practitioners' Forum

ESTATE AND TRUST ACCOUNTS

APART from the English Institute's Recommendation on Accounting Principles No. 14 of August 1949, The Institute of Chartered Accountants of Scotland has recently stimulated renewed interest in this subject by producing a specimen set of accounts covering what Scottish law calls the 'accounts of charge and discharge'.

It would be pleasant to record that the first mentioned recommendation resulted in a general improvement in the form of estate accounts in the United Kingdom; unfortunately this is not the case, for many estate accounts are prepared by members of the legal fraternity who tend to concentrate on the essential distinctions between capital and income, rather than on an explicit statement of the position.

Many beneficiaries are not aware of their rights in the matter of receiving copies of accounts and therefore do not always ask for an account, drawn up in – to them – an understandable form, of the trust or estate from which they receive their income.

Once a standard form has been evolved, it becomes second nature to employ it for all suitable occasions (one firm of chartered accountants at least has used similar schedules and layout since 1941).

In Recommendation No. 14, the English Institute advised the following layout:

(*a*) balance sheet of the whole estate, including (where applicable) separate trusts arising out of the principal will or other instrument;

(*b*) estate capital account;

(*c*) income account;

(*d*) separate accounts for any special funds under (*b*) or (*c*);

(*e*) schedules and explanatory statements giving details of matters (e.g. investments and investment income) which are summarized in the previous statements and accounts.

It is also added that these statements may usefully include an epitome of the relevant provisions of the will or other trust instrument. This is especially true of discretionary and accumulative trusts.

Scottish Institute's Specimen Account

The recent publication in booklet form by the Scottish Institute of an article which originally appeared in *The Accountants' Magazine* serves as a timely reminder of the need for renewed attention to this subject; at any rate, it is to be hoped so. The specimen account reproduced in the article is as follows:

SPECIMEN ACCOUNT

Mr A. B's. Trust

Account of the trustees' intromissions with the funds of the estate for the period June 30th, 1960 (date of truster's death) to April 5th, 1961

CAPITAL ACCOUNT

Comparative figures (where available)	ESTATE AS PER INVENTORY			
	(*a*) Heritable		£	
	(*b*) Investments		£	
	(*c*) Cash and other moveable estate		£	£
	ADDITIONAL ESTATE DISCOVERED			
	(*a*) Heritable		£	
	(*b*) Investments		£	
	(*c*) Other moveable estate		£	£
			£	
	ESTATE REALIZED			
	Gain on realization (if any)			£
				£
	ESTATE INVESTED		£	
	Deduct:			
	Loss on estate realized (if any)		£	
	Debts and funeral expenses			
	Government duty			
	Legacies			
	Administration costs			£
				£
	ESTATE AT CLOSE			
	(*a*) Heritable		£	
	(*b*) Investments			
	(*c*) Other moveable estate			
	(*d*) Cash in bank			
	(*e*) Cash in hands of factor			
			£	
	Less: Due to Revenue	£		
	Provisions for outstanding charges	£	£	
				£

REVENUE ACCOUNT

Comparative figures (where available)	DIVIDENDS AND INTERESTS (gross)			£
	RENTS			
	FEU DUTIES AND GROUND ANNUALS (gross)			
				£
	Deduct:			
	Income tax paid by deduction less retained		£	
	Income tax paid by direct assessment (provision)			
			£	
	Interest			
	(*a*) On Government duty	£		
	(*b*) On bank overdraft	£	£	
	Administration costs		£	
	Payments to liferentrices		£	£
	Mrs A. B.	£		
	Miss B.	£		
		£		
	REVENUE BALANCE AT CLOSE OF ACCOUNT			£

Recommendation No. 14 Layout

The specimen accounts on the next page illustrate a simple application of the English Institute's recommended layout, modernized so as to eliminate shillings and pence.

ESTATE OF THE LATE MISS BERTHA BLANK
(died May 4th, 1963)

Balance Sheet as at April 5th, 1964

	£
Estate account:	
As per annexed account	43,128
Income account:	
As per annexed account	7
Creditors:	
Accountants and solicitors	361
Trustees of the marriage settlement of Mrs M. Blank deceased:	
Cash received on account of interest on capital	2,034
	£45,530

	£	£
Investments – at probate valuations:		
As per statement		
Quoted securities		
Government stocks	8,874	
Railways – Dominion and Colonial	6,190	
Foreign railways	113	
Banks and discount houses	2,485	
Commercial	10,403	
Insurance companies	6,919	
Oil companies	5,045	
	40,029	
Unquoted securities		
Private companies	1,233	
		41,262
Debtors:		
Undistributed residuary estate of the late Mrs M. Blank	2,443	
Income due from the trustees of the estate of the late Mrs M. Blank in respect of life interest in marriage settlement	80	
		2,523
Cash at bankers and in hand:		
On capital account	1,732	
On income account	13	
		1,745
		£45,530

ESTATE ACCOUNT
Estate as recorded in probate affidavit as at May 4th, 1963 (the date of death of the testatrix)

	£	£
Debts due at death:		
Sundry accounts	389	
Funeral and testamentary expenses	219	
		608
Balance, being net value of the estate as estimated for probate		86,141
		£86,749

	£	£
Assets of the estate of the deceased at the date of death as per probate valuations:		
Investments (exhibit 1)		80,263
Debts receivable		19
Cash at bankers and in hand		2,651
Household furniture and effects		493
Undistributed residuary estate of the late Mrs M. Blank	3,243	
Apportioned income of marriage settlement due to life-tenant	80	
		3,323
		£86,749

ESTATE ACCOUNT (Continued)
For the period from May 4th, 1963 (the date of death of the testatrix), to April 5th, 1964

	£	£
Estate duty:		
45 per cent on the aggregate total of the estate £86,141		38,763
Losses (less profits) on realization of investments as per statement		2,944
Testamentary expenses		
Valuers' charges		16
Professional charges		
Legal charges re probate of Will etc.	307	
Accountants' fees	243	
		550
Distribution to beneficiaries:		
Pecuniary legacies		
Willie Blank	100	
Susan Blank	100	
Norman Blank	50	
		250
Distribution to residuary beneficiaries:		
Cash in the house	17	
Household furniture and effects	493	
		510
Balance, being undistributed assets of the estate at April 5th, 1957, subject to corrective affidavits not then submitted, as per balance sheet		43,128
		£86,161

	£
Net value of the estate, as estimated for probate, as per statement	86,141
Income tax post-war credits (not assessable to estate duty)	20
	£86,161

INCOME ACCOUNT
For the period from May 4th, 1963 (the date of death of the testatrix), to April 5th, 1964

	£	£
Interest paid:		
On estate duty	185	
On bank overdraft	294	
		479
Sundry expenses		1
Professional charges: Solicitors		10
Balance, being excess of income over expenditure for the period, as per balance sheet		7
		£592

	£	£
Dividends and interest received:		
On investments, as per statement	876	
Less Income tax thereon	284	
		592
		£592

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Accounting Heresy!

SIR, – Replying to the points made by Mr K. J. Newing in his letter (November 28th issue), on my article published in your issue of November 14th. He apparently:

(*a*) deplores the deficiencies in statutory accounts arising from existing conventions;

(*b*) proposes that we should do nothing about it – except that, when faced with a 'take-over', we should then undertake a 'reversal of financial accounting convention' to reveal the 'hidden truth'; and

(*c*) suggests that a clear revelation of these 'hidden truths' is useless in everyday life.

Cannot Mr Newing realize that the shareholder, the investing public, the economist, the banker, the creditor and indeed the tax man and the Government, are entitled to know these 'hidden truths'? All have a part to play, either specifically in relation to a particular business, or generally in making judgement by industry or as regards the real state of our national economy. Does he suggest that management itself should await its chairman's statement before being made aware of the facts? And I have yet to meet the tycoon whose aim was bankruptcy!

In the example of the return on a Government 'risk' contract given in my article, the term 'interest' may be read in the double context of 'profit' or the reward of capital employed in the business. Does Mr Newing seriously contend that a return before income tax of 1·92 per cent (i.e. his 1·175 per cent net grossed at 7*s* 9*d*) is a fair reward for *any* capital, let alone that which involves the risks inherent in business? Would he seriously advise his clients to accept a fixed price on a Government production contract for such a magnificent reward? Such an attitude would indeed soon place his favourite tycoon in bankruptcy. And tell me, Mr Newing, why it should be *unfortunate* that tycoons make expanding profits! I rather suspect that some of the profits to which Mr Newing objects are those arising from a smart operator managing to pierce the gloom of the existing accounting conventions, the continuance of which he deplores on the one hand, but advocates on the other.

Yours faithfully,

UNREPENTANT HERETIC.

Import Levy Effects

SIR, – In the latest issue of The National Institute of Economic and Social Research's quarterly *Economic Review* there occurs the following passage:

> 'We expect the import levy, however, to have a net effect of increasing demand for home output by ½–1 per cent within a year.'

If the deflationary effect on foreign demand is ignored, we are left with a problem which can be expressed in algebraic symbols:

Let Vs_1 = initial volume of purchases from the seller

,, Vs_2 = second volume of purchases from the seller.

,, Vc_1 = initial volume of purchases from the seller-competitor.

,, Vc_2 = second volume of purchases from the seller-competitor.

,, Ps_1 = initial price charged by the seller.

,, Ps_2 = second price charged by the seller.

,, Pc_1 = initial price charged by the seller-competitor.

,, Pc_2 = second price charged by the seller-competitor.

,, I_1V_1 = purchaser's initial real income.

,, I_2V_2 = purchaser's second real income.

,, S_1V_1 = seller's initial proceeds of sales.

,, S_2V_2 = seller's second proceeds of sales.

,, C_1V_1 = seller-competitor's initial proceeds of sales.

,, C_2V_2 = seller-competitor's second proceeds of sales.

On the purchaser:

$$I_2V_2 = I_1V_1 - Ps_1Vs_1 + Ps_2Vs_2 - Pc_1Vc_1 + Pc_2Vc_2$$

On the seller:

$$S_2V_2 = S_1V_1 - Ps_1Vs_1 + Ps_2Vs_2$$

On the seller-competitor:

$$C_2V_2 = C_1V_1 - Pc_1Vc_1 + Pc_2Vc_2$$

$$\therefore I_2V_2 - I_1V_1 = S_2V_2 - S_1V_1 + C_2V_2 - C_1V_1.$$

In other words the change of real income experienced by the purchaser in response to a change of price and volume of purchases exactly equals the change of the proceeds of sales experienced by the seller plus the change of proceeds of sales experienced by seller-competitors.

Again, if the deflationary effect on foreign demand is ignored, we perceive that the change of price and volume of imports consequent upon the import levy will have no net effect on general demand. The inflationary effect on the seller-competitor producers of import-substitutes, plus the inflationary effect on the seller-importer, will be offset by the deflationary effect on purchasers.

Yours faithfully,

London W1. P. L. GRIFFITHS.

Accountancy Apartheid

SIR, – Congratulations to Mr G. Sugden in raising again, in your issue of November 28th, the unfortunate position of incorporated accountant members of The Institute of Chartered Accountants in England and Wales.

I think it would be true to say that when this point

has been brought up previously there has been every sympathy and support from the general body of our fellow members. One hopes that the Institute Council will note this feeling and take action to end the present position which is very akin to racial discrimination at its worst.

Yours faithfully,

STEPHEN L. T. CRAWFORD, F.C.A.

Halstead, Essex.

Per Capita Tax

SIR, – A '*per capita*' or poll tax in place of rates has a superficial attraction. The tax is easily understood, the yield is certain and can be levied at a local rate on persons or categories of persons living within each local authority area.

Despite all the apparent advantages, however, there are serious defects in a proposal to replace a rating system by a '*per capita*' system, and by itself the '*per capita*' tax cannot be considered to form the basis of an adequate substitute for the rating system.

On whatever basis a '*per capita*' tax was introduced, the yield would be small unless levied at a rate that would be considered oppressive. It would certainly be unrelated to means or family circumstances; if allowance were made for these, such a tax would cease to be a poll tax and become a form of income tax without the progressive features inherent in the system of national income tax.

It is recognized that there are many who are discontented with the present rating system, but it is doubtful whether an attempt to replace it in whole or in part by such a crude taxation instrument as a poll tax could be called an improvement.

Yours faithfully,

LESLIE E. HOLMES,
Treasurer,
ORPINGTON URBAN DISTRICT COUNCIL.

Orpington, Kent.

Electronics in the Office

Payroll Service by Computer

A COMPANY payroll service prepared by computer has been introduced jointly by Security Express Ltd, a member of the De La Rue Group, and ISIS Computing Services Ltd. Known as 'Datapay', the project offers a comprehensive service using a computer to prepare weekly payrolls to payslip stage, a wage packet filling operation and regular delivery by armoured van and is claimed to be the first time a 'package' service has been offered to cater for all aspects of a company's payroll.

In the initial stages, for a minimal introductory payment, ISIS will investigate a company's payroll problems and write the necessary computer program. At the same time as these projects are being carried out a 'master payroll program' will be developed containing all the basic information required for putting a company's payroll on to a computer. An introductory payment of approximately £500 is envisaged followed by a charge of from 1*s* 6*d* per pay packet per week.

Apart from saving on normal staff payroll costs, the system also caters for all tax, national insurance and graduated pension returns and can be used to provide additional statistical information. In addition, pay envelopes and cheques for salaried staff are printed.

In the early stages 'Datapay' will be available to companies and organizations with payrolls of over one thousand. But there are plans to cater for smaller companies by organizing groups of firms in related industries with similar payrolls. These groups will be able to use the service by sharing the initial payment.

New Programming Language

A NEW programming language called Language H, designed to simplify and speed up the writing of business programs for computers, has been developed by The National Cash Register Co Ltd.

Largely composed of English words defining the work to be done – for example, 'add gross pay to running total' – its vocabulary and set of rules have been made as small as possible, and for this reason it is claimed to be more easily learnt and used than other universal languages such as COBOL.

Because of its simplicity, Language H should be of use to small organizations faced with the problem of putting a computer to work as quickly as possible. It can, however, also be applied to large-scale data processing operations. Following the usual procedure, a 'source' program written in Language H has to be translated into machine code by a computer controlled by a program called a 'compiler'. Other features of the new language are that its user has a close control over the operation of the program and the positioning of data; and that, secondly, the basic unit of data handled is normally a number, name or short comment.

A comprehensive manual on the new language is available from The National Cash Register Co Ltd, 206–216 Marylebone Road, London NW1, price 42*s* post free.

Modernization of the London Stock Exchange

A FURTHER stage in the modernization of the London Stock Exchange has been reached with the announcement that the Council of the Stock Exchange have authorized the installation of an

International Computers and Tabulators 1903 computing system in the settlement department to replace the existing punched-card equipment introduced in 1960.

The capital cost of the proposed equipment is £94,000 and the main elements of the installation at the outset will be a processor with a core store of 32,768 characters, a card-reader operating at 300 cards a minute, together with a printer operating at 1,350 lines a minute and four magnetic tape units. The system is planned to come into operation in the spring of 1966 thus allowing time for the training of the department's staff and development of the necessary programs.

The first task on which the computer will be employed will be to take over the present operations of the settlement department and it is estimated that this alone will save the department some £12,000 a year as against present costs. It is hoped that when this task is satisfactorily taken over it will be possible, by adding the price of each bargain to the information given to the department, to extend its operation to provide an inter-member accounting service for jobbers' ledgers, ticket accounts, etc., for the 181 stocks handled by the department, and to increase the list of such stocks.

Data Preparation System

THE development of a system of feeding large volumes of data into computers at high speeds directly from the data forms themselves was announced recently by English Electric-Leo Computers Ltd.

Named Autolector, the system is based on an automatic optical document reader which eliminates the need to transcribe data from the forms into cards or paper tape. The information is taken directly from the same documents on which it was originally recorded and fed straight into the computer store.

The system costs under £25,000 and in its present form is suitable for the existing range of computers. The number of forms it can handle depends on the size of the documents, varying from 24,000 small forms an hour to 14,000 larger forms. Autolector can read handwritten marks on forms fed to it or marks made by computer printers or embossed (address-type) plates or any combination of the three.

New High-Speed Computer Printer

A NEW computer microfilm printer which speeds record retrieval and saves several costly data handling steps has recently been developed by Stromberg-Carlson, of California, a division of General Dynamics Corporation. Known as the S-C 4400, it is claimed to be capable of printing speeds of 62,500 alphanumeric characters per second.

Operating directly from a computer or from computer-generated magnetic tapes, the printer translates digital signals into words, numbers and symbols. The output is recorded automatically, a page at a time on either 16 mm or 35 mm microfilm.

The printer was developed as a new link between computers and film storage and retrieval systems. It disposes of the need to produce magnetic tape and paper output from the computer is eliminated in many operations since selected pages can be produced on paper from the 4400's film output. The tasks of manually handling paper and magnetic tapes are also eliminated and, in addition, the work of microfilming and coding the documents for retrieval purposes is performed automatically.

The new printer produces microfilmed documents at a rate of 50,000 pages per eight-hour shift. Visual indexing codes compatible with most semi-automatic and automatic storage and retrieval systems are imprinted on the film automatically, allowing compatibility with most other information retrieval systems. A form projector permits a user to superimpose a standard company signature, a business form, map or other information on selected microfilm frames automatically through computer program control.

The S-C 4400 is the first device to provide computer-to-film-retrieval system.

Fourth Computer for Shell-Mex and B.P.

A FOURTH computer, a LEO 360 manufactured by English Electric-Leo Computers Ltd, has been ordered by Shell-Mex and B.P. Ltd. Due for delivery early next summer, it will follow another of this type due to be installed in March. The other two computers already used by the company are LEO III's which were delivered in 1963 and 1964. The 360 is a more advanced version of the LEO III.

Shell-Mex and B.P. are to have two computer centres. One is already established at Hemel Hempstead, Hertfordshire, where the two LEO III's are operating, and the second will be at Wythenshawe, Manchester. Between them, the two centres will deal with nearly all the company's accounting, including invoicing, payment of bills, costing and a payroll of 15,000. They will also handle a large volume of operational research problems and commercial and scientific statistical work.

Second Computer for Scottish Bank

THE National Commercial Bank of Scotland has taken delivery of a second IBM 1401 computing system. The original system, installed in 1962, and referred to in *The Accountant* of June 23rd, 1962, is now servicing fifty-one branches, including the principal offices of the bank, together with a number of head office applications. The new equipment will provide computing facilities for some sixty additional branches of the bank in Scotland and London.

Computer for Steel Works

SCOTLAND'S major steel producing group, Colvilles Ltd, have placed an order for an I.C.T. 1903 computer to be installed at the company's Clydebridge works.

The computer will, in due course, replace punched-card installations at present situated in various works and at the company's head office. At first it will take over such work as payroll and stock scheduling, and later the applications will be extended to include sales ordering, plant loading to mills, daily progressing and scheduling, and invoicing. The configuration will consist of a 16K store, three exchangeable disc stores, paper tape reader and punch, 1350 line per minute printer and interrogating typewriter.

English Institute's E.D.P. Residential Courses at Harrogate

THE second series of four simultaneous electronic data processing residential courses, attended by nearly two hundred members of The Institute of Chartered Accountants in England and Wales, took place at Harrogate during the eight days ending on Thursday.

The E.D.P. courses differ from the Institute's well-known summer courses held at Oxford and Cambridge in that they are designed to teach, whereas the summer courses present papers to stimulate thought, discussion and the exchange of ideas. Although the Institute does not expect to turn out computer experts in just over four and a half days, it does set out to clarify electronic data processing and to take away some of the mystery which tends to surround the subject.

Each course at Harrogate was divided into six parts covering (i) what a computer is; (ii) how a computer is used; (iii) what computer programming is; (iv) how a computer system should be controlled; (v) considerations of external audit; and (vi) the accountant and auditor of the future.

After the first day's lectures dealing with the computer itself and its peripheral equipment, i.e. input and output devices and the various methods of storage, there were lectures on programming, flow charts and block diagrams. Each course was then divided into syndicates and members encountered their first hurdle – a case study designed to enable them to test themselves to see just how much of the basic instruction they had really understood.

With this information as a background, members proceeded to the next part of the course on various applications to which a computer can be put: either straightforward jobs such as book-keeping, payroll processing, or sales invoicing. To conclude this section, attention was given to integrated data processing and the possible uses of the computer in decision making, management planning and control, and the steps necessary to make these uses possible. There then followed examination of the basic concepts of programming and the considerations to be borne in mind when writing a program.

These first three parts of each course were designed to give members an understanding of the basic principles of the computer and of electronic data processing systems and to lead on to the study of how a computer system should be controlled and how it should be audited – matters of importance to accountants in practice as well as to those in industry and commerce.

At a final session, consideration was given to possible future developments in the computer field and their likely impact on the work of accountants, with the aim of leading members to think about the problems they may meet in the years to come.

It can be seen that a very wide field was covered in a very short time by each course and every effort was made by the directing staff to sense those parts which caused difficulty either to individual members or within the courses generally. It was for this reason that there was a co-ordinating director for the series, with a director for each course, assisted by a technical adviser; there were also syndicate advisers, whose job it was

The daily meeting of the directing staff. Seated at the table (left to right): Mr M. C. Ashill, F.C.A., an Under Secretary of the Institute; Mr J. H. Mann, M.B.E., M.A., a member of the Council of the Institute; Mr F. Clive de Paula, T.D., F.C.A., Co-ordinating Director; Mr Dudley W. Hooper, M.A., F.C.A., Technical Officer of the Institute, and Mr L. W. Shaw, B.SC., F.C.A., a Course Director.

to ensure that difficult points encountered by syndicates in tackling case studies were explained as they arose. The directing staff took the opportunity of mixing with members outside the lecture periods so that they could answer questions. From the questions asked it was possible to assess whether difficulties were experienced by individuals or in the courses generally and to note points of difficulty for the improvement of future courses.

Courses of this nature are obviously of great assistance to members of the Institute, an interesting point being that those attending were almost equally representative of industry and public practice. It is also noteworthy that the Institute does not have to go beyond its own membership to staff these courses.

Further series of E.D.P. courses are planned for Brighton from January 12th–21st, 1965, and from May 3rd–13th, 1965.

Importance of Disciplined Thought

BISHOP'S COMMENTS AT LIVERPOOL DINNER

Most present-day problems and difficulties came from a failure to think in a disciplined and logical way, said The Lord Bishop of Chester, Dr G. A. Ellison, in proposing the toast of 'The Institute of Chartered Accountants in England and Wales', at the annual dinner of the Liverpool Society of Chartered Accountants, held at the Adelphi Hotel, Liverpool, on November 27th. Dr Ellison went on to say he believed that those who had received training in facing facts and evaluating them and having the imagination to see where they were leading had an important part to play in the welfare of the nation and people.

'I fancy, he declared, I have found my text in considering what must be the basis and foundation of the work you are called upon to do because I suppose whatever it is you are doing, the basic essential is to have such a disciplined mind that you can deal with details, that you regard facts as what they are, that you refuse to be diverted by any other influences which may be brought to bear on you, that you know what your end is and that you pursue it until you reach it.

'This requires a particular training and discipline of mind and outlook. It is something not all of us possess and have not achieved even by training.'

Not Without Cost

'I hesitate in such a company as this to venture into the problems of the situation with which we are immediately faced. Though I read economics when I was at the university, I still find the complexities of international finance beyond my comprehension. Yet I think many people imagine that because it has been possible – presumably by telephone – to get the support of the international banks all over the world, therefore all our troubles are over. Few people realize that you do not receive these favours without cost and that the troubles with which we are faced are not, in the end, going to be solved save by personal sacrifice.'

In conclusion, Dr Ellison said that chartered accountants had much to offer the whole of society – not merely within the bounds of their own profession. That was one of the reasons why the profession was providing leaders in almost every large industrial enterprise.

Replying, Mr W. G. Densem, F.C.A., President of the Institute, said that the words 'chartered accountant' and what they implied were now world-wide. They were aiding the emergent nations and others who were trying to set up their own professional bodies.

Liverpool, he said, was the first place in England and Wales to have a society of accountants, ante-dating London by six months. In a reference to many of the early Presidents of the Institute and the fact that their families were still closely linked with the profession, he said: 'It makes us realize what we, as an association, owe to those pioneers who set us going in the right way. We must endeavour to carry on that tradition. We must bear it in mind in the training of our articled clerks in the future.'

On the subject of training, Mr Densem declared that Liverpool was in the forefront and it was pleasing to know that the scheme adopted by the Education Committee had originated in Liverpool. Efforts were being made to arrange training courses for articled clerks throughout the country.

The toast of 'The City and Trade of Liverpool' was proposed by Mr Clifford Pearson, F.C.A., President of the Liverpool Society. Alderman Louis Caplan, the Lord Mayor of Liverpool, who responded, expressed his pleasure at being among so many distinguished guests and having the opportunity of paying tribute to the part which accountants played in the commerce and business of Liverpool.

Mr Pearson, who also proposed the toast of 'The Guests', mentioned many by name and went on to express appreciation of the work of the dinner secretary, Mr J. G. Hurst, Jun, F.C.A., and the assistant dinner secretary, Mr Martin Kemp, F.C.A.

Mr G. Percival Harris, LL.B., President of the Incorporated Law Society of Liverpool, responded with a witty speech.

BIRMINGHAM STUDENTS' ANNUAL DINNER

Members of the Birmingham Chartered Accountant Students' Society, many of whom had finished their examinations earlier that day, were told at their annual dinner on November 27th, that qualifications alone were not enough. Mr Stanley Dixon, M.A., J.P., F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales, said to the students: 'When you qualify, your technical skill will be just one of the tools of your trade. To that skill you must add integrity and sound judgement'.

Mr Dixon was replying to the toast of 'The Institute', proposed by The Right Rev. George Sinker, M.A., Provost of Birmingham and Assistant Bishop, the principal guest at the dinner which was held at the Grand Hotel, Birmingham. Nearly five hundred students and their guests were present.

Mr Dixon went on to say that he guessed students wanted to know why their subscriptions had been increased. Four committees, he said, were spending the money. The first was the Public Relations Committee. Individual chartered accountants could not advertise, yet the Institute was facing increasing competition.

'It is essential that the name of chartered accountant be kept before the public eye, and that is what this committee is doing', he said. The Technical Advisory Committee, Education Committee, and the Moorgate Place Redevelopment Scheme Committee also required money to fulfil their vital functions.

Referring to the Education Committee, Mr Dixon said the aim was to give students the instruction they deserved, but he warned them that people in industry looked not only for technical knowledge in an accountant, but also for integrity and sound judgement.

Proposing the toast, the Bishop told the company: 'I have a very great reverence for your profession'. This was because, he said, if you were true to figures, they were true to you. Therefore he believed that figures, with which accountants were so much concerned, had a great spiritual and moral value.

Wishing the students a 'life full of difficulty', he added: 'an oyster can turn difficulties and irritations into pearls, and I should back you to beat an oyster. But you must take difficulties not with resignation but in a creative spirit'.

In a toast to the Birmingham Chartered Accountant Students' Society, Captain J. F. Fuller, M.B.E., the Warden of the Outward Bound Sea School at Aberdovey, told the members that the country was looking to them and young people in the universities to give leadership.

'I believe that you students will have the opportunity of taking a higher and higher part in leading the nation. And planning and analysis will not solve our problems, what we require is leadership with a purpose', he said.

Captain Fuller told of a young accountant who had once been on the Outward Bound course. He was crippled and walked with the aid of sticks. Although he took much longer than the rest to do many of the exercises on the course, he let nothing beat him. 'That young man of your profession was an inspiration to the whole course', he declared.

In a toast to Mr Charles W. Massey, F.C.A., the President of the Students' Society, a committee member, Mr J. F. Jefferson, paid tribute to his work over a period of thirty-two years, guiding the Birmingham Students' Society in a variety of functions.

Notes and Notices

PROFESSIONAL NOTICES

MR S. A. A. CAMPBELL, A.A.C.C.A., announces that he is now practising as S. CAMPBELL & CO, Certified Accountants, at 19 Norfolk Street, Sunderland.

MESSRS HUBBART, DUROSE & PAIN, Chartered Accountants, of 18 Park Row, Nottingham, announce that, with effect from January 1st, 1965, Mr C. L. O'CALLAGHAN, F.C.A., will retire from the practice after over forty years' connection with the firm. He will, however, retain an active connection by attending the office in a consultative capacity.

MESSRS MITCHELL & BUNTING, and MESSRS PAUL, DOWD & CO, Chartered Accountants of 80/86 Lord Street, Liverpool 2, announce with deep regret the sudden death on November 23rd, 1964, of Mr ARTHUR JONES, F.C.A., who was a partner in both firms

MESSRS PEAT, MARWICK, MITCHELL & CO, and SHARP, PARSONS & CO, Birmingham, announce the retirement from the practice of Mr W. E. COX, F.C.A., after serving for nearly forty-five years, including twenty-five years as a partner.

MESSRS PRICE, WATERHOUSE, PEAT & CO announce that the address of their office recently opened in Beirut is 5 Joseph Mamarbachi Building, Chouran Street, Beirut, Lebanon.

MESSRS ROBERTS, HALL & CO, Chartered Accountants, of 109 Colmore Row, Birmingham 3, announce that they have admitted into partnership Mr C. J. MAY, A.C.A., who has been a member of the staff for many years. The style of the firm remains unchanged.

MESSRS WOOD & CO, Chartered Accountants, of 1 Old Burlington Street, London W1, announce that Mr FREDERICK R. JENKINS, F.C.A., has been admitted into partnership. The firm name remains unchanged.

Appointments

Mr D. J. Austen, F.C.A., has been appointed to the board of Charles Colston Ltd, while continuing to act as secretary of the group.

Mr Christopher Bostock, M.A., F.C.A., has joined the board of G. B. Britton & Sons (Holdings) Ltd.

Mr D. A. W. Black, C.A., secretary and chief accountant of Stead & Simpson Ltd, has been appointed a special director of the company.

Mr K. R. Kemp, F.C.A., has been elected to the board of Jeyes Group.

Mr J. E. Lloyd, T.D., F.C.A., has been elected chairman of the Association of Investment Trusts.

Mr D. H. Maitland, F.C.A., has been elected a director of Save and Prosper Group Ltd, and has been appointed deputy managing director.

Mr W. H. Mosley Isle, F.C.A., has been appointed a director of Telefusion Ltd.

Mr John C. Ratcliff, M.A., A.C.A., has been appointed managing director of Dow Chemical Co (U.K.) Ltd.

Mr L. G. Sharp, F.C.A., has been appointed financial controller of the C. T. Bowring Group of Companies, with effect from February 1st, 1965.

Mr N. S. Thompson, F.C.A., has been appointed a director of Swan, Hunter & Wigham Richardson Ltd; he will continue as the company's general manager at Malta Dry Docks.

Mr D. R. Ward, F.C.A., chief financial accountant of Hadfields Ltd, has been appointed a director of Millspaugh Ltd, representing Hadfields.

IN PARLIAMENT

Antique Dealers: Taxation

Mr CHICHESTER-CLARK asked the Chancellor of the Exchequer to what extent officers of the Inland Revenue, in making tax assessments, include income obtained by antique dealers as a result of private auctions held among themselves.

Mr MACDERMOT: This income is a receipt of an antique dealer's trade and should be included like any other receipt in computing the profits of the trade for tax purposes.

Hansard, Nov. 27th, 1964. Written Answers. Col. 235.

Pensions and Benefits: Improvements

Mr TURTON asked the Minister of Pensions and National Insurance if she will state in tabular form the increases in retirement pensions and dependants' allowances that have been made since July 1948, the dates of the increases and the percentages of the former scales represented by the increases, respectively; and what are the percentage increases proposed under the present Bill.

Miss HERBISON: Following are the figures:

Capital Gains Tax

Mr STRATTON MILLS asked the Chancellor of the Exchequer (1) if he will prepare a scheme to limit the tax liability of executors under the proposed capital gains tax when they have to sell assets to pay estate duty which have already been assessed on their increased value; and if he will ensure that the total liability thereon is not more than either the estate duty or the capital gains tax assessment;

(2) if, when preparing the proposed capital gains tax legislation, he will make adjustment for depreciation in the value of money between Budget Day 1965 and the sale of the asset;

(3) if, when preparing the proposed corporation tax, he will take account of those companies which have a high ratio of preference capital; and if he will give an assurance that they will not be placed at a disadvantage.

Mr MACDERMOT: These matters are being studied and I regret that I cannot make any statement about them.

Hansard, Nov. 23rd, 1964. Written Answers. Col. 138.

Corporation Tax

Mr LUBBOCK asked the Chancellor of the Exchequer what estimate he has made of the percentage of net profits before tax which would have to be levied in the form of corporation tax so that the total revenue of corporation tax and income tax on distributed profits should be the same as the total revenue of income tax and profits tax for the year 1963–64, assuming that profit before tax and net dividends remain the same as from 1963–64; and what would be the additional revenue from a 1 per cent increase in the corporation tax over and above this level, on the same assumptions.

Mr CALLAGHAN: A corporation tax at the rate of 35 per cent would bring in revenue equivalent to the combined yield of income tax at 8*s* 3*d* in the £ on undistributed profits and profits tax at 15 per cent on total profits. A change of 1 per cent in the rate of corporation tax would then affect the revenue by approximately £30 million. As I said in my Budget statement, the main objects of the scheme will be to modernize the tax system, remove anomalies, and provide an incentive to plough back profits. It follows that the introduction of this new scheme is not intended to impose penal burdens upon the company sector. The precise rate of tax will be determined by the Revenue requirements at the appropriate time.

Hansard, Nov. 27th, 1964. Written Answers. Col. 234.

RATES OF RETIREMENT PENSION PAYABLE FOR A SINGLE PERSON AND THE INCREASE FOR A DEPENDENT WIFE AT SUCCESSIVE DATES, WITH IN EACH CASE THE PERCENTAGE INCREASE OVER THE PREVIOUS RATE

Date	Single person		Increase for dependent wife	
	Rate (£ s d)	Percentage increase over previous amount	Amount (£ s d)	Percentage increase over previous amount
July 5th, 1948	1 6 0	—	16 0	—
October 1st, 1951	1 10 0	15½	1 0 0	25
September 29th, 1952	1 12 6	8½	1 1 6	7½
April 25th, 1955	2 0 0	23	1 5 0	16½
January 27th, 1958	2 10 0	25	1 10 0	20
April 3rd, 1961	2 17 6	15	1 15 0	16½
May 27th, 1963	3 7 6	17½	2 1 6	18½
November 1964 (Bill rate)	4 0 0	18½	2 10 0	20½

Hansard, Nov. 23rd, 1964. Written Answers. Col. 136.

TAX RESERVE CERTIFICATES

The Treasury has announced that Tax Reserve Certificates of the ninth series issued from November 28th until further notice, under the terms of the prospectus dated March 21st, 1961, will bear interest at the rate of $3\frac{1}{2}$ per cent per annum. The rate of interest on certificates of the ninth series subscribed before November 28th, 1964, will remain unchanged.

DOUBLE TAXATION

United Kingdom and the Federal Republic of Germany

A revised double taxation convention between the United Kingdom and the Federal Republic of Germany (to replace the convention signed on August 18th, 1954) was signed in Bonn last week.

The convention, which is subject to ratification, provides for the avoidance of double taxation of income and profits, and is expressed to take effect in the United Kingdom from April 6th, 1960. During a transitional period, however, those provisions of the convention of August 18th, 1954, which afford greater relief than the corresponding provisions of the new convention will apply. The full text of the convention will be published shortly by H.M. Stationery Office.

United Kingdom and Sweden

The revised double taxation convention with Sweden which was signed on October 14th, 1964, was published last week as a schedule to a draft order in Council

United Kingdom and Southern Rhodesia

An agreement between the United Kingdom and Southern Rhodesia, which provides that the agreement with the former Federation of Rhodesia and Nyasaland for the avoidance of double taxation shall, with the necessary adaptations, continue in force in relation to Southern Rhodesia was published last week as a schedule to a draft Order in Council.

INLAND REVENUE DOUBLE TAXATION (RATES) SECTION

The Inspector of Foreign Dividends of the Board of Inland Revenue states that the correct telephone number on which to obtain information as to rates of foreign income tax applicable to dividends from foreign companies is Emberbrook 4141, extension 89.

EXPORT CREDITS GUARANTEE DEPARTMENT

The Bristol office of the Export Credits Guarantee Department has moved to Washington House, Great George Street, Bristol 1; the telephone and telex numbers remain unchanged. (Bristol 22102 and telex 44248).

The office is currently handling 244 comprehensive policies with a total face value approaching £37 million.

LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

University Entrance Scholarships

The London School of Economics and Political Science (University of London) has announced that entrance scholarships are offered to students with a good mathematical background who wish to specialize in certain subjects including accounting.

These scholarships are for £500 a year, and no account is taken of parents' income. Candidates must have passed in at least one of the mathematics papers in the advanced level examination for the General Certificate of Education. Scholars will be required to read for the B.Sc.(Econ.) degree, selecting accounting, economics (analytical and descriptive), econometrics, statistics, or computational methods as their special subject.

In addition, the school offers various other entrance scholarships – which may be held by students reading accounting – of £100 a year, to supplement local education authority awards.

Further information may be obtained from the Registrar of the London School of Economics and Political Science, Houghton Street, Aldwych, London WC2. The closing date for receipt of applications is December 15th.

LIVERPOOL SOCIETY OF CHARTERED ACCOUNTANTS

Intermediate Prize

The Committee of the Liverpool Society of Chartered Accountants announces that its Intermediate Prize will be awarded to the candidate who, being a member of the Liverpool Chartered Accountant Students' Association or any one of its constituent branches, gained the highest place in the Institute's Intermediate examination held in September last. The prize will take the form of a book to be chosen by the President of the Society.

It is the responsibility of the student to apply for the prize. Applications should state the position gained in the examination and should be sent to the Honorary Secretary, Liverpool Society of Chartered Accountants, The Library, 5 Fenwick Street, Liverpool 2, within two calendar months after the announcement of the results of the examination.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

The next meeting of The London and District Society of Chartered Accountants will be held at The Beaver Hall, London EC4, next Tuesday, at 5.45 p.m. The subject will be 'Practical statistics for today's accountants', and Mr E. H. M. Price, M.A., Economics Officer, Port of London Authority, and Mr J. Draper, M.SC., Statistics Officer, Reed Paper Group Ltd, will be the speakers.

CHARTERED ACCOUNTANTS' CITY DISCUSSION GROUP

The next meeting of the Chartered Accountants' City Discussion Group will be held on Wednesday, December 9th, at the White Swan, Coleman Street, EC2, at 6 for 6.30 p.m. The subject for discussion will be 'Accounting information required from quoted companies', led by Mr W. S. Wareham, Secretary of the Share and Loan Department of the Stock Exchange.

SW. LONDON CHARTERED ACCOUNTANTS' DISCUSSION GROUP

The next meeting of the South-west London Chartered Accountants' Discussion Group will be held at 6.45 for 7 p.m. on Monday, December 7th, at the Kingston Hotel, Wood Street, Kingston upon Thames, when the subject will be the 'Practitioner Inquiry', introduced by Mr W. Ledger, F.C.A.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 1 p.m. on Monday next, December 7th, in the vestry of St Mary Woolnoth Church, King William Street, London EC3. The scripture for reading and thought will be 1 Corinthians, chapter 15, verses 57 and 58.

RATES BY INSTALMENTS AND COUNCIL DEBTS

Two New I.M.T.A. Returns

More local authorities, it seems, are trying to make the rate-paying process as painless as possible.

The nineteenth *Return of Rate Collection, 1963–64*, published by The Institute of Municipal Treasurers and Accountants, discloses that of eighty-two county boroughs, thirty-two have made available facilities for the payment of rates by nine or more instalments, and in Wigan, 75 per cent of the ratepayers have made use of this arrangement. Thirty-four of the county boroughs accepted payments through a Trustee Savings Bank, ratepayers depositing sums in a bank, on which they receive interest, the bank making payment to the local authority as the rate instalments became due. It is interesting to note that some authorities are now also making use of rate stamps or vouchers which can be purchased either from a machine or a local post office, thereby enabling the burden of the rate to be spread over a period.

Other councils are employing collectors who will call on ratepayers for payment. Some authorities will accept payment by instalment, but either have no formal scheme or one which asks for payments in fewer than nine instalments.

In the county boroughs, the proportion of the rates remitted on the grounds of poverty was very small. The highest was Hastings with 0·07 per cent. Apart from this, amounts written off for other than technical reasons were also very small, the largest proportion being 0·25 per cent.

Local authorities were responsible for debt of more than £6,582,096,000 at March 31st last, according to the thirteenth *Return of Outstanding Debt at March 31st, 1964*, also published by the Institute. Of this total £1,231,743,000 or 18·7 per cent was held in the form of money repayable in less than twelve months.

London and the county and county borough councils had a debt totalling £3,955,316,000, an increase of £354,910,000 on the previous year. Of this total debt 55·3 per cent (£2,136,341,000) was for housing purposes, and 23·7 per cent (£917,633,000) for education. In the case of county boroughs, the total debt represented an amount of £170 4*s* per head of population compared with £156 6*s* in 1963.

Copies of the above returns are obtainable from The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London SW1. The return on rate collection is 10*s* post free and the one on outstanding debt is 15*s* post free.

LINEAR PROGRAMMING COURSE

A two-day course to take the 'hunch' out of decision-making is being held at the Cotton Board Productivity Centre, West Didsbury, Manchester, on December 16th and 17th.

To avoid rule-of-thumb solutions, linear programming makes it relatively easy to solve complex problems in order to make the best possible use of resources and maximize profits. The quite complex mathematics involved in linear programming may be dealt with cheaply by a computer bureau.

The course will consist of four sessions. The first will provide an introduction to linear programming with simple worked examples and the next two will be devoted to case studies, one from spinning and one from the finishing section of the industry. The final session will discuss the implications of linear programming in production and marketing and will indicate how larger and more complex studies may be undertaken.

Further information regarding the course is obtainable from The Cotton Board Productivity Centre, Fielden House, Mersey Road, West Didsbury, Manchester 2.

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE

ACCOUNTANT

ESTABLISHED 1874

DECEMBER 12TH, 1964 VOL. CLI. NO. 4695

CONTENTS

Industrial Concentration

NO one would deny that a new era of production techniques was ushered in by the evolution of the computer and automation, nor is there any real dispute as to the advantages to be derived if these technological innovations can be effectively exploited. The root question at the present time, however, is whether the pace of exploitation currently achieved by British industry is adequate.

The history of the industrial revolution and the development of industrial techniques during the past century has been to emphasize the importance of economies of scale. To exploit to the full the modern automatic production techniques, firms must be large, if only because a large market is necessary for their output. One of the major advantages ascribed to the projected entry of Britain into the Common Market was that it would offer a market large enough to absorb growing industrial production. All too often, when British industry is discussed, one tends to talk in terms of the industrial giant, and indeed to regard such undertakings, whose names are household words, as characteristic of the structure of British industry. Nothing could be further from the truth. As Sir RICHARD POWELL, K.C.B., K.B.E., C.M.G., Permanent Secretary to the Board of Trade, observed in a speech at the recent London Conference of The Institute of Cost and Works Accountants (reported in our November 28th issue), 'we are predominantly a country of small enterprises; of a total of about seventy thousand individual enterprises in manufacturing and industry, two-thirds or more employ less than twenty-five people'. 'There are', he continued, 'less than five thousand firms in Britain which employ two hundred people or more, and less than two hundred employing five thousand or more.' In fact, it seems that about two hundred firms account for approximately half of the net output of manufacturing industry, and as Sir NORMAN KIPPING recently pointed out, a mere handful of firms are responsible for a major part of our export drive.

Much the same point was developed in a recent speech to the Institute for Engineering Production by Mr N. A. H. STACEY, an industrial consultant, who stated that in countries where the number of large companies was increasing, growth and prosperity of the national economy were more apparent than in countries where the number of large companies had remained static or declined. In support of this thesis, Mr STACEY pointed out that taking the first hundred firms ranked in order of size in the world outside the U.S.A., Western Germany contributed nineteen in 1958 and twenty-two in 1964; while Japan – where economic growth

has been quite remarkable – contributed five in the earlier year and fourteen in the present. By contrast, in Great Britain the number of such firms declined in the same period from thirty-two to twenty-eight.

The logic of such facts as these, argued Sir RICHARD POWELL, is that there is a relationship between the size of the industrial unit and the efficiency of management, and in consequence in their ability to export. It is a commonplace that small firms have neither the resources nor the inclination to venture into export markets. They have not the capital resources needed nor the market to justify the installation of modern production techniques. Research, which is fundamental to industrial progress, tends to be concentrated in the larger undertakings, although some industries have established centralized research units.

The evidence in recent years of the trend that the bulk of total output of U.K. industry is concentrated in a relatively few undertakings, is tending to increase. There has been a considerable number of mergers, in which both vertical and horizontal integration has been effected. There have been take-over bids by larger firms seeking to rationalize market conditions and their production. Increasingly, from the point of view of organized labour, there is much to be said for the larger industrial undertaking. It offers, generally speaking, a greater measure of economic security; it is usually easier to negotiate better working conditions and fringe benefits such as pensions and sickness benefits.

The degree of concentration in British industry is considerable as was made quite clear by the classic study based on the *1935 Census of Production* edited by H. LEEK and A. MAIZELS, and more recently in the more substantial study entitled *Concentration in British Industry* by two economists of the National Institute of Economic and Social Research (R. EVELY and I. M. D. LITTLE). Inherent in such concentration is a tendency to monopoly. Classic economic doctrine teaches that monopoly distorts the distribution of economic resources, and thereby prevents the maximization of consumer welfare.

If the passage of the Restrictive Practices Act of 1956, and more recent developments, are to be taken at their face value, the political parties together subscribe to this thesis. In other words, is the concentration of British industry into larger productive units still desirable if it leads to a greater degree of monopoly or monopolistic competition? The N.I.E.S.R. study points out that on the evidence of the 1951 Census of Production, two-thirds of British industry falls into the category of 'low concentration' where the three largest firms in the industry have less than one-third of the trade. On the other hand, to the extent that these three firms can between them create conditions of price leadership, the consumer may feel the disadvantages of monopoly conditions without enjoying any of the technical advantages that normally accrue where there is a high concentration of productive capacity.

What British industry needs is some stimuli to the renovation of its industrial production techniques, which means in effect the infusion of new ideas and new investment. The question is, what conditions are most likely to generate these forces? The mere growth of the market enjoyed by large firms need not by itself mean that such firms will exploit to the full all the advantages of modern production techniques. Indeed, it is arguable that the reverse may happen, in so far as a comfortable monopoly in a stable market is not conducive to new thinking. A better case can be made out for subjecting British industry in all its branches to the forces of competition, not least from overseas. In the really competitive market, the inefficient will go to the wall and the more efficient will be driven by force of circumstances to meet the challenge and ensure that their techniques are comparable with the best the world can offer.

Unfortunately, such a programme has distinct disadvantages. It introduces instability, transitional unemployment, and uncertainty. It is questionable whether the consequences of competition are acceptable to the community and would be allowed to work themselves out. If, however, the free economy is not allowed to evolve its own solution by the methods peculiar to that system, then, since change is inevitable and must come, it will have to be dictated to industry by the Government. There is no satisfactory half-way house between the planned economy and the dynamic free-enterprise economy. The economic situation in Britain requires not so much an agonizing reappraisal of its immediate policies, but a clearer definition of its ultimate objectives.

Finance Bill: Rapid Progress

THE Finance Bill had its third reading in the House of Commons in the early hours of last Tuesday. The committee stage was a strange blend of ignorance and expertise. On clause 1 (2) which increases the reduced rate reliefs a member complained that the CHANCELLOR was not keeping his promise that the reduced rates would not go up with the standard rate. The CHANCELLOR, who is the Labour Party's tax expert, said that he too had noticed this in the Bill and had inquired into it. It was a technical matter of drafting which he could explain if he were going to go into it in great detail. The short simple answer of course is that in the Budget speech he was talking about reduced rates *charged*; clause 1 (2) consequently increases the rates of *relief*, in order that the sixpence increase in the standard rate should not increase the reduced rates charged. The CHANCELLOR's place was then most ably taken by Mr JACK DIAMOND, F.C.A., the Chief Secretary to the Treasury.

Two Opposition members complained that the new 15 per cent import duty could spell ruin to an importer who had already resold the goods at a fixed price. It was then pointed out that he was protected by section 10 of the Finance Act, 1901. When Opposition members complained that they had not been told about this section before, the MINISTER told them that the section was specifically mentioned in the Bill itself.

Most of the committee stage was taken up by special pleading to extend the already wide range of goods exempted from the new charge by Schedule I to the Bill. It was here that the expertise was shown. But Members who wanted to know why the new charge attached to alcoholic drinks (already heavily taxed) but not to tobacco received no answer to speak of. Attempts to exempt goods which were already on their way to England on Budget day were unsuccessful. Members argued in vain that these goods would have to come in anyway, so that if the object of the surcharge was really to discourage imports it was irrelevant in relation to these goods.

There was a curious debate as to why the surcharge was to last twelve months under the Bill, with a provision for further extension to two years by Treasury order. It was pointed out that undertakings had been given to the other EFTA countries that the surcharge would stay for only a matter of months. An attempt to bring the revision day forward from November 1965 to March 1965 was unsuccessful. Of course, it is plain that if one knew for a certainty that the tax would come off next March, then everybody would arrange to import immediately after March. But this was not what the Opposition were asking for; they simply wanted the matter to come up for debate a little earlier. The tax could be renewed if necessary. Perhaps this tax is here to stay, like purchase tax and profits tax, which were both 'temporary' in their inception.

Some crumb of comfort was given to importers of machinery. It was pointed out that they would receive capital allowances on the tax element in the cost, as well as the ordinary cost. Importers of goods as stock will be able to debit the tax as part of the purchases, but of course will not do quite so well as those importers who obtain investment allowances on the tax element. These income tax and profits tax repercussions of the new import taxes do not detract from the effect of the latter as much as might be supposed. The import taxes have to be paid now, the relief in respect of reduced direct taxes will not accrue for some considerable time. Moreover, in view of the uncertainty about the new tax structure it is difficult to forecast with confidence what the net effect will be.

We leave the Bill with one wry thought. In the past few years there have been reductions in direct taxation, instead of increases. For the vast majority of taxpayers, who pay their tax in the form of P.A.Y.E., these reliefs have had to be deferred for some months until the new tax deduction tables had been printed and distributed. Now, when the tax goes up, the increase is announced early enough for it to take immediate effect on April 6th next. By then the new tables will be ready and operating. That is, if there has not been some further change between now and then.

Tax Outlook – Still Uncertain

WHILE Mr CALLAGHAN may have had the soundest of reasons for announcing his intentions in respect of the tax treatment of capital gains and company profits in the course of his interim Budget, there can be no gainsaying the fact that those announcements have since had a quite devastating effect in the City. It is quite understandable that the new Government should wish to impress its supporters with its reformist zeal, but it must also remember that business confidence is a sensitive plant; under the stress of recent events it has tended to wilt.

Not surprisingly, therefore, THE CHANCELLOR sought to remove some of the uncertainties engendered by his earlier remarks and to placate the more nervous members of the business community. How far his statement, last Tuesday, made in the usual form of a written Parliamentary answer in reply to a question from Dr A. E. P. DUFFY, M.P., will achieve its purpose is open to question. Given the tradition of British budgetary statements, it was inevitable that Mr CALLAGHAN could not, to use the time-honoured phrase, 'anticipate his Budget'. For this reason, his statement leaves almost as many questions unanswered as before.

Since it was probable that neither Mr CALLAGHAN's advisers nor the Inland Revenue were likely to conceive any completely novel forms of taxation by next April, the basic form of the new imposts was abundantly clear from his earlier statement. Thus, the corporation tax will be a flat-rate tax with deductions given for normal interest, including debenture interest, but not for preference dividends. Capital allowances will be granted on the same basis as for income tax, while companies in receipt of overseas income subject to tax will receive credit for the latter against the corporation tax. This was surely only to be expected.

The real problem arises from the fact that the tax system is not so much concerned with principles, as with the circumstances of the individual tax-paying company or individual. It is rather pointless to state that these proposals 'will create special problems for certain companies' and the possibility of 'some transitional arrangements is being considered'. It is precisely because many companies do not fit neatly into the conventional pattern that the City has been asking for a clarification of THE CHANCELLOR's intentions. On grounds of equity and, not least, on the score of these companies' importance to the national economy, it can be asserted that they are just as much deserving of consideration as the trades unionists to whom Mr CALLAGHAN's interim Budget seemed primarily addressed.

This lack of clarity is especially evident in the treatment of surtax companies and 'one-man' companies which are told that 'special provisions will ensure' that, because the new scheme will tax undistributed profits at a lower rate than the present scheme, such companies will 'not retain profits to avoid personal taxation'.

If the statement on the corporation tax is at best vague, the promises relating to capital gains are at least positive in the evident determination to bring as many into the Revenue net as possible. The tax will extend to gains realized in the 'disposal of assets of whatever kind', but those arising out of the sale of 'chattels' will escape tax 'except where the price realized from a single transaction standing alone is £1,000 or more'. Thus is equity sacrificed upon the altar of administrative convenience.

For the purpose of the tax 'realization will include disposal by sale, long lease, exchange, forefeiture and the transfer of ownership or on death'. In the last two events the asset will be treated as realized at its market value, although the first £5,000 of gains realized on death will be exempt. Here again the Revenue seems to be anxious to spare its promised extra 500 staff some of the trials and tribulations the new impost will create! Nor, in case one may have hoped that some form of realization might have escaped the net, is there any point in transferring assets overseas. Resident persons and companies will be liable to tax 'wherever the underlying assets are situated'.

Whatever uncertainty may remain as to the manner of their implementation, there can be no doubts in anyone's mind that Socialist principles will prevail in the field of fiscal policy.

The Corporation Tax – II

CONTRIBUTED

While our contributor continues his discussion of problems and implications of the proposed corporation tax, the Chancellor of the Exchequer's statement in the House of Commons last Tuesday is the subject of a leading article opposite. The statement will be brought within the context of this series in subsequent issues.

IT is already only too clear – whatever else may be in doubt, and that still means a lot – that the proposed corporation tax will entail a great deal more than the amalgamation of profits tax and income tax on companies into a single impost, the rate of which (to quote the Chancellor of the Exchequer) will 'depend on the financial and economic situation at the time'. It will revolutionize the whole structure of company taxation as it exists today and will have far-reaching, and possibly quite disturbing, effects on the investment world in general for some time to come. It may be that there never is a right time for a major change in any fiscal system; certainly the present time of financial crises can scarcely be less opportune, in the event, for a new tax which promises to be of unparalleled complexity.

One immediately foreseeable effect will be to change the present method of calculating cover for dividends, which is a basic factor in the appraisal of investment merit of a company. Assuming a company with net profits of 100 before tax, cover of 1·75 times for the ordinary dividend and a preference dividend equal to 7·5 per cent of the ordinary dividend (so as to conform to the average company in *The Financial Times – Actuaries* 500-share index), the computation on the present basis of taxation (adjusted to allow for income tax at 8*s* 3*d* in the £ which will be the effective rate when corporation tax is enacted) will be as shown in column one.

Profits		100·00
less income tax at 8*s* 3*d*	41·25	
less profits tax at 3*s*	15·00	
		56·25
Available for dividends		43·75
Preference dividend, gross	3.06	
less tax at 8*s* 3*d*	1·26	
		1·80
Attributable to ordinary shares		41·95
Ordinary dividend, gross	40·70	
less tax at 8*s* 3*d*	16·75	
		23·95
Retained by the company		18·00

(23·95 is four-sevenths of 41·95 and 1·80 is $7\frac{1}{2}$ per cent of 23·95).

The New Basis

Assuming the same company and corporation tax at $38\frac{1}{4}$ per cent, the figures would read:

Profits	100·00
less corporation tax	38·25
Available for dividends	61·75
Preference dividend, gross	3·06
Attributable to ordinary shares	58·69
Ordinary dividend, gross	40·70
Retained by the company	17·99

This calculation shows that in future distributed profits will bear both corporation tax and income tax (the point which troubled the majority of the Royal Commission on Taxation (1955)), while retained profits will bear only corporation tax. But with corporation tax at approximately $38\frac{1}{4}$ per cent, this makes no difference to the amount of profit retained by the company or to the amount of tax paid by the company and its shareholders together. On the other hand, it makes a considerable difference to the cover for the dividend, which is reduced from 1·75 times to 1·44 times, so that the scope for increased dividends, apart from growth prospects, is correspondingly lessened, and the investment status of the company, unless some new concept of cover emerges, is correspondingly reduced. If profits do not grow, dividends can only be increased at the expense of retentions and, moreover, will cost 20*s* in the £ as compared with the net cost (after tax) at present.

This, of course, is part of the Chancellor's policy to 'provide an incentive to dynamic companies to develop at a rapid pace through the use of their ploughed back profits'. Whether this aim will be achieved by this method remains to be seen. It is perhaps significant that in the United States, over the past five years, only about

one-third of corporate funds has come out of retained profits, while in some European countries distributed profits now bear less tax than undistributed profits. In short, unless dividends grow, a company may find expansion hampered by inability to raise outside funds cheaply.

Higher Rates of Tax

So far it has been assumed that the rate of the new tax will not exceed 38¼ per cent. If it were rounded off to 40 per cent, cover for the dividend would fall below 1·4 times and retentions to 16·24. If the rate were 42·5 per cent, cover would be 1·33 times and retentions 13·74. If the rate of tax were as high as 45 per cent, cover would fall to 1·28 times and retentions to 11·24 – scarcely sufficient to permit a dynamic rate of expansion without eating into the dividend, which in turn would hardly assist the company in the market for new money.

Put in another way, the break-even cover points for the average company in *The Financial Times–Actuaries* 500-share index with corporation tax at 40 per cent, 42·5 per cent, and 45 per cent, would be about twice, 2·3 times and 2·8 times, respectively, or slightly less if there were no preference capital; but considerably more if there were a high ratio of preference capital to ordinary capital, since preference dividends will in future be paid gross.

But in the 500-share index there are companies with lower cover than 1·75 times, as well as companies with higher cover. If on the present basis of taxation the cover for the dividend is once only, it will be seen from the following tables that with corporation tax at no more than 35 per cent the dividend will fall far short of being covered:

(1) *Present system*

Profits		100·00
less income tax at 8*s* 3*d*	41·25	
less profits tax at 3*s*	15·00	
		56·25
Available for dividends		43·75
Preference dividend, gross	3·06	
less tax at 8*s* 3*d*	1·26	
		1·80
Attributable to ordinary shares		41·95
Ordinary dividend, gross	71·40	
less tax at 8*s* 3*d*	29·45	
		41·95
Retained by company		nil

(2) *New system*

Profits	100·00
less corporation tax	35·00
Available for dividends	65·00
Preference dividend, gross	3·06
Attributable to ordinary shares	61·94
Ordinary dividend, gross	71·40
Retained by company	minus 9·46

Effect on Dividends

The Financial Times Ordinary index is made up of thirty leading companies whose dividend cover, at the time of writing, ranges from 0·9 times in the case of *United Steel* to 2·9 times in the case of *Rolls-Royce*, and averages about twice. A useful table in *The Investors Chronicle* for December 4th, 1964, shows the maximum dividends payable by each of these companies, as compared with the current dividend, with corporation tax at 35 per cent, 37½ per cent, and 40 per cent, respectively, and assuming that each company retains the same amount under corporation tax as it does under the present system. At the 35 per cent rate, seventeen companies could pay a slightly higher dividend, but thirteen would have to pay less, and in one case probably substantially less. At the 37½ per cent rate ten companies could pay more and twenty would pay less. At the 40 per cent rate, only four companies could pay more, one would pay the same, and the remaining twenty-five companies would pay less.

These figures, however, are based on what is described as the 'bold assumption' that the rates of investment and initial allowances will be raised under a corporation tax to ensure that a company gets the same benefit in money terms as before; and for the purposes of the table the tax reliefs have been calculated by deducting from a company's notional full tax burden of 53¾ per cent of the pre-tax profit the actual tax charged in the accounts, net of all reliefs however they have arisen.

If, on the other hand, the *rates* of these allowances are left unchanged, then the switch-over to a corporation tax will reduce their real value since corporation tax will be at a lower rate – this much is certain – than income tax and profits tax combined. On the footing that capital allowances will be devalued, and with a corporation tax rate of 35 per cent, ten companies could pay a slightly higher dividend, one could pay the same, and

nineteen would pay less. Even with undiminished capital allowances and a 35 per cent tax rate, dividend cover for the thirty companies in the index would fall from about twice to less than 1·6 times, while the new earnings rate per cent would drop from one point to nearly twelve points, and in all cases would show some fall.

Effect on Economy

It therefore seems that a corporation tax rate of about 35 per cent is all that the economy can stand if capital investment in this country is not to become less attractive to British and foreign nationals. Indeed, a higher rate would seem to be quite inconsistent with the drive for growth, bearing also in mind that, as stated in a number of articles which have appeared in *The Accountant* dealing with the starting up of businesses in certain continental countries, some of these countries are offering very substantial tax incentives to attract new industries.

A rate of 35 per cent is also the rate said by the Chancellor to be required to raise the same amount of revenue as is now produced by profits tax and income tax on companies combined. It is also slightly above the standard rate, if that is the right phrase, of 33⅓ per cent envisaged by the minority report of the Royal Commission, although a higher rate of 40 per cent was contemplated initially until the capital gains tax which it advocated got under way. On the other hand, if the Labour Party believes that companies are not paying their full share of tax, as is said to be the case, the Government may feel that the rate of corporation tax on companies should not be less than the rate of income tax on individuals. Certain it is that until the rate of corporation tax is known and a host of other uncertainties resolved, business indecision will continue to command a high premium, and new investment will be severely restrained.

Capital Allowances

Many of the imponderables surrounding the corporation tax are left over until the next instalment in this series, and reference will be made to the statement of the Chancellor of the Exchequer. It may not be irrelevant, however, to draw attention now to an important point in connection with capital allowances made in the White Paper, *A Scheme for an Accounts Basis for Income Tax on Company Profits* (1964, Cmnd 2347), as illustrating the complexity of the transitional provisions – or just one of them – which may be inherent in the changeover to corporation tax.

Appendix C of the White Paper says that under the existing law capital allowances (other than investment allowances) due in computing profits tax for any chargeable accounting period are not related to the events in that period, but to the allowances given for the income tax year or years in which that accounting period falls. If income tax ceased to be assessed for years of assessment, the reasons for the present system of dealing with capital allowances would no longer exist, and the simple course would be to provide that profits tax allowances, like income tax allowances, should be based on the events occurring in the accounting period in question. There would, however, be a serious transitional problem if this new basis were introduced without some special provision, since there would be a gap period of from twelve to twenty-three months (according to the accounting date) and the allowances for this gap period would be lost.

It might be suggested, said the White Paper, that for the first period after the change the allowances for the gap period should be added to those currently due, but this would mean giving extra relief amounting to something of the order of £250 million, and it could hardly be expected that the budgetary situation in the year when the change was introduced would be such that a sum of this magnitude could be afforded. Various schemes, it said, could be devised for bringing companies on to the new basis gradually over a period of years so as to spread the cost to the Exchequer. At the present stage it was not possible to say whether it would be desirable to adopt any of these schemes or, if so, when the process could begin or over what number of years it could be completed.

The White Paper was, of course, dealing with an accounts basis for the whole of company profits, and not a corporation tax, but the problem seems to be common to both.

It would be very helpful if the main provisions relating to corporation tax and the capital gains tax could be published in the form of a White Paper in advance of the Finance Bill, though there will, of course, be the usual opportunity during the passage of the Bill through Parliament for representations to be made on behalf of industry and the professional bodies concerned. But will there be sufficient time for a thorough examination by everyone concerned of what will undoubtedly be a very lengthy and complicated Bill?

(To be continued.)

Local Authority Accounting and Management Data

by J. B. WOODHAM, B.Sc.(Econ.), F.I.M.T.A.

AN earlier article in this journal[1] and subsequent correspondence concerned the adequacy of the accounting systems of local and central government and of the available management data. Accountants in the municipal service exist only to serve the public and we, therefore, do not complain about criticism of our techniques; indeed, so far as the frailties of the human frame allow, we try to thrive upon it. We do, however, often feel appalled by the extent of the prevailing ignorance about our techniques and products, and this article is written in the conviction that nothing but good can be derived from the fullest and most widespread diffusion of knowledge about accounting services in the public sector.

This article will deal with the accounts of the education service. This service was the one specifically referred to by Mr Most, and it contains features which well illustrate the problems inherent in social service accounting.

The Education Service

State education in England and Wales is administered locally by sixty-two county councils, one of which is the London County Council, and eighty-five county boroughs acting under the general supervision of the Department of Education and Science. Financial responsibility is divided between the local education authorities themselves and between the local education authorities and Whitehall in several ways, viz.:

(*a*) with the exception of those divisions of the service mentioned below, Government aids the service by way of the general grant. This is paid in aid of a whole collection of local services and the formula is such that the grant cannot be apportioned over those services. It follows, of course, that it is equally impossible to say just what burden the education service – or, for that matter, any other service aided by general grant – imposes on the rates;

(*b*) if an authority's penny rate per head of population is below the national average it receives rate deficiency grant, the effect of which is to restore the penny rate product to the national average level. As rate deficiency grant is a subvention in aid of local rating resources generally it is never, in published accounts, apportioned to education or any other service although, as a technical exercise, this can be done if the need arises;

(*c*) the cost of milk and meals in schools is reimbursed in full by the Department provided the cost per meal is within the amount approved by the Department. Each local authority is subject to its own cost limits, negotiated afresh each year between the authority and the Department. If the closed accounts show that the local authority has exceeded its cost limits, the excess costs fall upon the rates;

(*d*) costs incurred by local education authorities in training teachers are transferred to a central 'pool' administered by the Department, which is liquidated by contributions by all local education authorities on a formula basis;

(*e*) costs of *advanced* further education are similarly pooled and redistributed by formula;

(*f*) when pupils resident in the area of one local education authority attend the schools of another authority the former authority compensates the latter by a payment based on average national costs per pupil, so avoiding difficult local negotiations. The national flat rates are determined afresh each year.

The transfers of costs mentioned above obviously introduce a danger of double counting; but this can be avoided if transfer payments are clearly distinguished from payments for the use of real resources. In practice, no difficulty should arise.

Where, however, several different sorts of

[1] 'Management Accounting and Government Accountability', by Kenneth S. Most, LL.B., F.C.A. (February 22nd, 1964, issue.)

EXPENDITURE

1961–62 £	EDUCATION COMMITTEE	£	£
	EDUCATION DEPARTMENT: ADMINISTRATION AND INSPECTION		
63,296	Employees	71,111	
353	Supplies, equipment and tools	395	
1,424	Transport	1,185	
39,932	Establishment expenses	45,826	
1,557	Miscellaneous	1,645	
106,562			120,162
	PRIMARY EDUCATION		
586,317	Employees: teachers	672,371	
73,699	others	79,782	
120,324	Premises	126,770	
40,774	Supplies, equipment and tools	42,685	
306	Transport	389	
1,948	Establishment expenses	2,154	
2,035	Agency services	1,989	
2,228	Miscellaneous	1,802	
1,418	Aid to pupils	1,833	
80,859	Debt charges	84,887	
694	Revenue contributions to capital outlay	2,081	
910,602			1,016,743
	SECONDARY EDUCATION		
625,281	Employees: teachers	723,949	
75,646	others	80,269	
136,491	Premises	162,805	
71,390	Supplies, equipment and tools	70,735	
380	Transport	301	
2,639	Establishment expenses	2,765	
1,432	Agency services	3,435	
9,301	Miscellaneous	13,707	
5,339	Aid to pupils	7,813	
161,041	Debt charges	174,106	
4,325	Revenue contributions to capital outlay	5,598	
1,093,265			1,245,483
	SPECIAL EDUCATION		
23,038	Employees: teachers	25,545	
2,465	others	2,533	
2,547	Premises	3,403	
852	Supplies, equipment and tools	953	
1	Transport	868	
80	Establishment expenses	89	
15,938	Agency and voluntary services	17,436	
15,825	Aid to pupils	17,790	
170	Debt charges	131	
—	Revenue contributions to capital outlay	590	
60,916			69,338

INCOME

1961–62 £	EDUCATION COMMITTEE	£	£
	EDUCATION DEPARTMENT:		
	ADMINISTRATION AND INSPECTION		
—	Sales	2	
25	Interest	52	
92	Miscellaneous	15	
117			69
	PRIMARY EDUCATION		
1,036	Sales	1,124	
3,835	Fees and charges	6,876	
1,870	Rents	2,421	
21	Miscellaneous	—	
6,762			10,421
	SECONDARY EDUCATION		
9,125	Sales	9,955	
107,584	Fees and charges	135,714	
1,929	Rents	1,733	
56	Interest	56	
14	Miscellaneous	663	
118,708			148,121
	SPECIAL EDUCATION		
75	Sales	79	
11,275	Fees and charges	10,508	
90	Rents	77	
11,440			10,664

agency are concerned in the actual provision of a division of the education service, then there does arise a problem in that their various costs, published in different ways, must be collated before proper conclusions can be reached about the finances of that division of the service. Fortunately this circumstance arises hardly at all for primary, secondary, and non-advanced further education. It is, however, an acute problem in teacher training and advanced further education.

Revenue Accounts of Local Education Authorities

Local authorities publish revenue accounts rather than profit and loss accounts, for education as for other social services. To these accounts are charged all costs locally incurred, including an apportionment of central establishment ('town hall') charges. No depreciation as such is charged but the year's contribution to debt redemption is charged and since debt is redeemed well within the life of the asset, the financial effect is broadly equivalent. Interest on finance capital is charged. Credits include all reimbursements from the national pools and recharges to other local education authorities, and such specific grants as the milk and meals grant. They do not include any apportionment of general grant, rate deficiency grant, or rate income. Thus, the balance in the revenue account is the net cost to be financed from rates and unallocated grants.

The primary classification adopted in the revenue account is over significant divisions of the education service, viz.: education department (administration and inspection); nursery education; primary education; secondary education; special education; further education; agricultural education; training of teachers; educational research; education provided otherwise than at school; medical inspection and treatment; provision of milk, meals and other refreshments; facilities for recreation and social and physical training; other education services.

At the next level, that is, within each division of the service, expenditure is classified on a mainly subjective basis. There is, at the moment, some variation of practice here between one local education authority and another, but standardization is now making rapid progress. In 1955 The Institute of Municipal Treasurers and Accountants published a standard classification for all local authority services, and a revised version was published in 1963 under the title *The form of published accounts of local authorities*. The standard expenditure headings are:

Employees
Running expenses:
  Premises
  Supplies and services
  Transport and heavy plant
  Establishment expenses
  Agency services
  Miscellaneous expenses
Debt charges
Revenue contributions to capital outlay
Taxation.

Extensive sub-classifications and definitions are given in the publication referred to.

Local authorities are, of course, each free to accept or reject these recommendations, but amongst the major authorities – by which the education service is administered – standardization on these lines is making good progress. Moreover, the Department of Education are in the course of introducing a new series of statutory returns, to be completed yearly by local education authorities, and these are based firmly on the IMTA's standard classification (in which, indeed, a few alterations have been made in order to meet the Department requirements). Hence, in the education service at least, standardization of the published revenue account seems sure to make rapid progress.

Most of the standard headings are self-explanatory, but one or two may merit comment. Thus, most capital expenditure will be financed out of loan, and the annual amount of debt redemption and interest will appear under the heading 'debt charges'. Where, however, items of a capital nature are financed out of current revenues, the expenditure will appear as 'revenue contributions to capital outlay'. Local authorities are increasingly financing relatively small items of capital expenditure in this way in order to reduce the burden of interest on their accounts. The heading 'Employees' includes both teaching and non-teaching staff, but these classes will usually be differentiated in the published accounts. Hitherto, this heading included wages of repair and maintenance squads, groundsmen, etc., but under the latest recommendations these will be charged to 'Premises' or other appropriate headings. Under headings such as 'Premises' recurring maintenance is likely in future to be distinguished from extraordinary or non-recurring expenditure – e.g. improvements. A part of the education revenue account of Middlesbrough Corporation – drawn up in standard form but before the latest recommendations were published – is illustrated at Fig. 1 (see previous page).

1962 £		£	£
	LONG-TERM LIABILITIES:		
	Loans outstanding		
22,383,996	Consolidated loans fund		23,605,959
	CURRENT LIABILITIES:		
43,839	Creditors: capital	27,559	
616,562	revenue	641,952	
660,401			669,511
	PROVISIONS:		
67,125	Renewals and repairs fund	65,192	
57,259	Miscellaneous	63,372	
124,384			128,564
	OTHER BALANCES:		
5,974,477	Capital discharged	6,593,557	
16,505	Capital receipts unapplied	20,796	
200,000	Working capital	200,000	
97,027	Revenue account surplus	19,381	
38,913	Miscellaneous	37,534	
6,326,922			6,871,268
£29,495,703			£31,275,302

There are contingent liabilities in respect of 635 guarantees to Building Societies under section 45 of the Housing (Financial Provisions) Act, 1958.

1962 £			£	£
	FIXED ASSETS:			
26,278,436	Capital outlay		27,392,650	
1,462,115	Other long-term outlay ..		1,886,432	
27,740,551				29,279,082
	CURRENT ASSETS:			
81,806	Stocks		93,198	
17,355	Work in progress		28,939	
603,053	Debtors: Capital: deferred		809,079	
985	other		2,408	
567,190	revenue		556,714	
	Investments:			
	Capital:			
13,500	internal		13,500	
	Revenue:	£		
110,989	internal	109,764		
25,988	external (market value £20,336)	25,988		
			135,752	
201,007	Cash in hand:		126,740	
1,621,873				1,766,330
	OTHER BALANCES:			
130,582	Deferred charges		224,179	
2,697	Miscellaneous		5,711	
133,279				229,890
£29,495,703				£31,275,302

June 28th, 1963

J. B. WOODHAM,
Borough Treasurer.

Balance Sheet and Capital Accounts

In the preceding paragraph it may have been noticed that there is a certain lack of precision in the dividing line between revenue and capital expenditure. Actually the legal situation is not unlike that in which a limited company operates; there is an absolute prohibition on the charging of current expenditure against loan, but there is nothing to stop the financing of capital expenditure directly from current revenues.

Historically, municipal accounts have been considerably influenced by the double account system formerly used by the railways and other public utilities. Under this system, a separate part of the balance sheet was earmarked for subscribed capital and its application, the unused balance being carried down into the general balance sheet. Local authorities long used this form of balance sheet – many still do – but under the conditions in which local authorities operated, it had to be varied in two ways. Firstly, local authorities operate on loan capital, and regard the redemption of this as equivalent to, though different in nature from, depreciation. Thus, as physical assets were to be retained in the balance sheet at historical cost, a capitalization entry was necessary, as debt was redeemed, transferring from the general to the capital section of the balance sheet funds used for debt redemption. Secondly, as the practice grew of financing capital assets from current revenue, a similar capitalizing entry had to be made for 'revenue contributions to capital outlay'.

These two changes, however, had a subtle effect on the balance sheet. The original double account balance sheet was a statement of *finance* capital, and the directions in which finance had been applied. The local authority variant became a

FIG. 3.

EDUCATION

Local Authority	Population (Reg. Gen's Estimate June, 1962)	Number of Pupils on School Registers, January, 1963: Nursery	Primary up to and including 11 years	Primary 12 years and over	Secondary up to and including 14 years	Secondary 15 years and over	Total	Number of Pupils in Schools not Maintained by the Authority: Other L.E.A. Schools: Primary (including Nursery)	Other L.E.A. Schools: Secondary	Schools Not maintained by a L.E.A.: Primary (including Nursery)	Schools Not maintained by a L.E.A.: Secondary	Number of Pupils in the Authority's Own Schools Chargeable to another L.E.A.: Primary (including Nursery)	Secondary
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
COUNTY BOROUGHS													
BARNSLEY	74,910	198	7,882	—	5,051	953	14,084	33	7	—	90	123	963
BARROW-in-Furness ...	64,890	105	6,018	—	3,698	921	10,742	14	8	—	3	21	173
BATH	82,170	—	6,295	2	3,956	1,172	11,425	8	18	—	272	125	549

ANALYSIS OF COSTS PER PUPIL ON REGISTERS OF MAINTAINED
(Note: These costs exclude revenue contributions to capital outlay and

Local Authority	EMPLOYEES: Salaries and Wages (including superannuation, national insurance and other employees' expenses): Teachers: Primary	Teachers: Secondary	Non-Teaching Staff: Primary	Non-Teaching Staff: Secondary	RUNNING EXPENSES: Premises: Upkeep of buildings and grounds: Primary	Upkeep of buildings and grounds: Secondary	Fuel, light, cleaning materials and water: Primary	Fuel, light, cleaning materials and water: Secondary	Furniture and fittings: Primary	Furniture and fittings: Secondary	Rent, rates and other expenses: Primary	Rent, rates and other expenses: Secondary	Text books and library books: Primary	Text books and library books: Secondary
	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
COUNTY BOROUGHS	£	£	£	£	£	£	£	£	£	£	£	£	£	£
BARNSLEY	36·32	63·75	7·14	5·60	3·39	4·68	3·16	4·38	—	—	4·47	5·79	0·55	1·16
BARROW-in-Furness ...	36·09	60·99	4·72	5·70	4·84	3·28	2·63	4·02	0·15	0·37	2·79	4·10	0·58	1·37
BATH	40·36	71·45	4·93	7·10	1·90	2·84	3·80	5·42	0·32	0·87	1·89	6·03	0·79	1·71

COSTS PER 1,000 POPULATION: ANALYSIS

Local Authority	Administration and Inspection	Primary Education (including Nursery): General net expenditure	Debt Charges	Adjustments with other L.E.A's	Total	No. of pupils per 1,000 population	Secondary Education: General net expenditure	Aid to pupils (excluding school transport)	Debt Charges	Adjustments with other L.E.A's	Total	No. of pupils per 1,000 population	General net expenditure
	(63)	(64)	(65)	(66)	(67)	(68)	(69)	(70)	(71)	(72)	(73)	(74)	(75)
COUNTY BOROUGHS	£	£	£	£	£		£	£	£	£	£		£
BARNSLEY	488	6,258	748	72	6,934	107	7,345	168	1,085	*1,416*	7,182	69	2,949
BARROW-in-Furness ...	746	5,154	569	*8*	5,715	94	6,015	30	·615	*308*	6,352	69	1,418
BATH	515	4,266	531	*93*	4,704	75	6,269	347	644	*824*	6,436	59	2,686

statement of *physical* capital, and of the sources from which this had been financed. Hence the standardization committee of the IMTA decided to make a clear break with the double account form and to use a balance sheet which is basically similar to that recommended by The Institute of Chartered Accountants in England and Wales. This is supported by movement statements (*a*) showing additions to and subtractions from capital assets; and (*b*) showing details of capital discharged during the year. The former statement may be supported by subsidiary statements (i) for schemes in progress, and (ii) for completed schemes.

The standard form of local authority accounts (see Fig. 2) does not require a separate balance sheet to be published for each account, although for a variety of reasons some local authorities still publish a number of balance sheets.

Published Statistics

To facilitate inter-authority comparisons, comprehensive financial statistics are published each year for the education service (as for most of the locally administered social services) by The Institute of Municipal Treasurers and Accountants and The Society of County Treasurers. An extract from this publication for 1962–63 (the municipal financial year in England and Wales ends on March 31st) appears as Fig. 3 (see below). The relevant data are very extensive, and as will be seen, the publication runs to ninety-four columns (accommodated in the original by the use of three insets).

Columns (2) to (31) contain statistics of a general nature: population, numbers of pupils, numbers of schools, aggregate expenditure and some information about rate products and grants. Columns (17) and (18) – numbers of primary and

STATISTICS, 1962-63

Number of Pupils for whom the Authority was Financially Responsible (Cols. 8-12 less Cols. 13 and 14)		Columns 15 and 16 per 1,000 Population		Number of Schools Maintained by the Local Education Authority at 31st March, 1963			Number of Pupils on Registers per Full-time Teacher Employed on 1st February, 1963			Product of 1d. Rate		Percentage of total Expenditure met from rate deficiency grants	Total Net Expenditure Chargeable to Rates and Grants	Specific Grants Receivable	Expenditure met from rates, general and rate deficiency grants	
Primary (including Nursery)	Secondary	Primary (including (Nursery)	Secondary	Nursery	Primary	Secondary	Nursery	Primary	Secondary	Amount	Per Pupil for whom L.E.A. was Financially Responsible				Amount	Rate Equivalent
(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)
										£	d.	%	£	£	£	s. d.
7,990	5,138	107	69	3	38	13	66	32	20	3,353	61	32·02	1,559,326	134,009	1,425,317	35 5
6,116	4,457	94	69	1	27	12	21	32	19	3,525	80	16·62	1,175,835	76,379	1,099,456	26 0
6,180	4,869	75	59	—	26	10	—	30	18	5,183	113	3·07	1,447,346	116,842	1,330,504	21 5

RIMARY (EXCLUDING NURSERY) AND SECONDARY SCHOOLS
ertain ancillary expenditure—for further details see PREFACE)

Supplies, Equipment and Tools						Miscellaneous Expenses		Debt charges		Total		Memorandum: School Transport (Cost per pupil for whom authority financially responsible)		PROVISION OF SCHOOL DINNERS		
Educational equipment		School stationery and materials		Other equipment and laundry										No. of dinners supplied per pupil day	Cost per Dinner	
															Food	Overheads
Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary			
46)	(47)	(48)	(49)	(50)	(51)	(52)	(53)	(54)	(55)	(56)	(57)	(58)	(59)	(60)	(61)	(62)
£	£	£	£	£	£	£	£	£	£	£	£	£	£		d.	d.
0·48	1·37	1·02	2·02	0·01	0·14	0·01	0·61	7·10	13·53	63·65	103·03	0·79	1·40	7,241	9·45	15·70
0·33	0·76	0·76	1·89	0·19	0·11	0·12	1·01	6·06	8·65	59·26	92·25	0·17	0·37	3,281	9·87	16·33
0·33	0·87	0·85	2·27	0·07	0·14	0·29	1·38	6·93	10·31	62·46	110·39	0·14	0·85	7,558	10·17	14·64

)F TOTAL NET RATE AND GRANT BORNE EXPENDITURE

Further Education				Special Education	Agricultural Education	Training of Teachers	Medical Inspection and Treatment	Provision of Milk and Meals	Facilities for Recreation, etc.	Revenue contributions to Capital Outlay		Other Expenses	Total	MEMORANDA: TOTALS PER 1,000 POPULATION			
Aid to pupils (excluding school transport)	Debt Charges	Adjustments with other L.E.A's	Total							School Meals	Other			Aid to pupils (excluding school transport)	Debt Charges	School Transport	Adjustments with other L.E.A's
(76)	(77)	(78)	(79)	(80)	(81)	(82)	(83)	(84)	(85)	(86)	(87)	(88)	(89)	(90)	(91)	(92)	(93)
£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
625	829	*2,116*	2,287	691	—	576	399	1,585	277	206	188	3	20,816	1,067	2,907	201	*3,343*
393	227	*135*	2,103	559	—	538	485	1,183	191	—	248	—	18,120	733	1,492	84	*359*
662	559	*774*	3,133	198	—	438	294	1,424	284	—	—	188	17,614	1,139	1,768	82	*1,674*

secondary pupils per 1,000 population – are particularly important. The averages were ninety-four primary and sixty-two secondary pupils in the county boroughs, and eighty-nine primary and sixty-two secondary pupils in the counties. However, these averages concealed very wide ranges, especially in the county boroughs, where primary pupils per 1,000 population ranged from fifty-seven (Eastbourne) to 125 (Bootle) and secondary pupils from forty-seven (Oxford and Eastbourne) to seventy-three (Bootle again). The effect of these variances on costs per 1,000 population needs no emphasis. Total expenditure falling on (*a*) rates, (*b*) general grant, and (*c*) rate deficiency grant is shown at column (30) and the rate equivalent at column (31). The latter varies from 10*s* 9*d* (Bournemouth) to 54*s* 11*d* (Merthyr Tydfil) and, in the counties, from 16*s* 3*d* (Middlesex) to 66*s* 7*d* (Montgomery). Rate deficiency grant, shown as a percentage in column (27), does something to reduce these ranges; Merthyr Tydfil receives 52·85 per cent grant, and Montgomery 68·95 per cent, whereas Bournemouth and Middlesex receive none. The general grant probably does more as it includes a large supplement for all school children above 110 per 1,000 population, but a complete apportionment of this grant to the various services cannot be made.

Costs per Pupil

At columns (32) to (59) appear costs per pupil, calculated separately for primary and secondary pupils. No such costs are calculated for further education pupils, because the courses available to these are too disparate to make the pupil a reliable unit of cost. (Incidentally, there is no doubt more difference between the cost of educating a secondary pupil at age 17–18 and the cost of educating one at age 11–12 than there is between the costs of educating the latter and, say, of educating a primary pupil aged 10–11, so the pupil, as a cost unit, has to be used with much caution anyhow.) Within the main primary and secondary classes, expenditure per pupil is analysed over headings which accord closely with those previously enumerated (page 741). Some classes of expenditure which tend to destroy the validity of inter-authority comparisons are deliberately omitted from this part of the return. For example, capital expenditure met directly from revenue is omitted because this reflects financing policy and is not a truly operational cost. School transport is shown in a separate memorandum at columns (58) and (59) because some authorities pay for the transport from home to school of pupils not in schools maintained by the local education authority itself. Thus the divisor is different from that used in the previous columns, which relate only to pupils at schools maintained by the local education authority. Columns (61) and (62) show costs of school dinners which, as has been already explained, are subject to an independent grant, and to their own system of cost control.

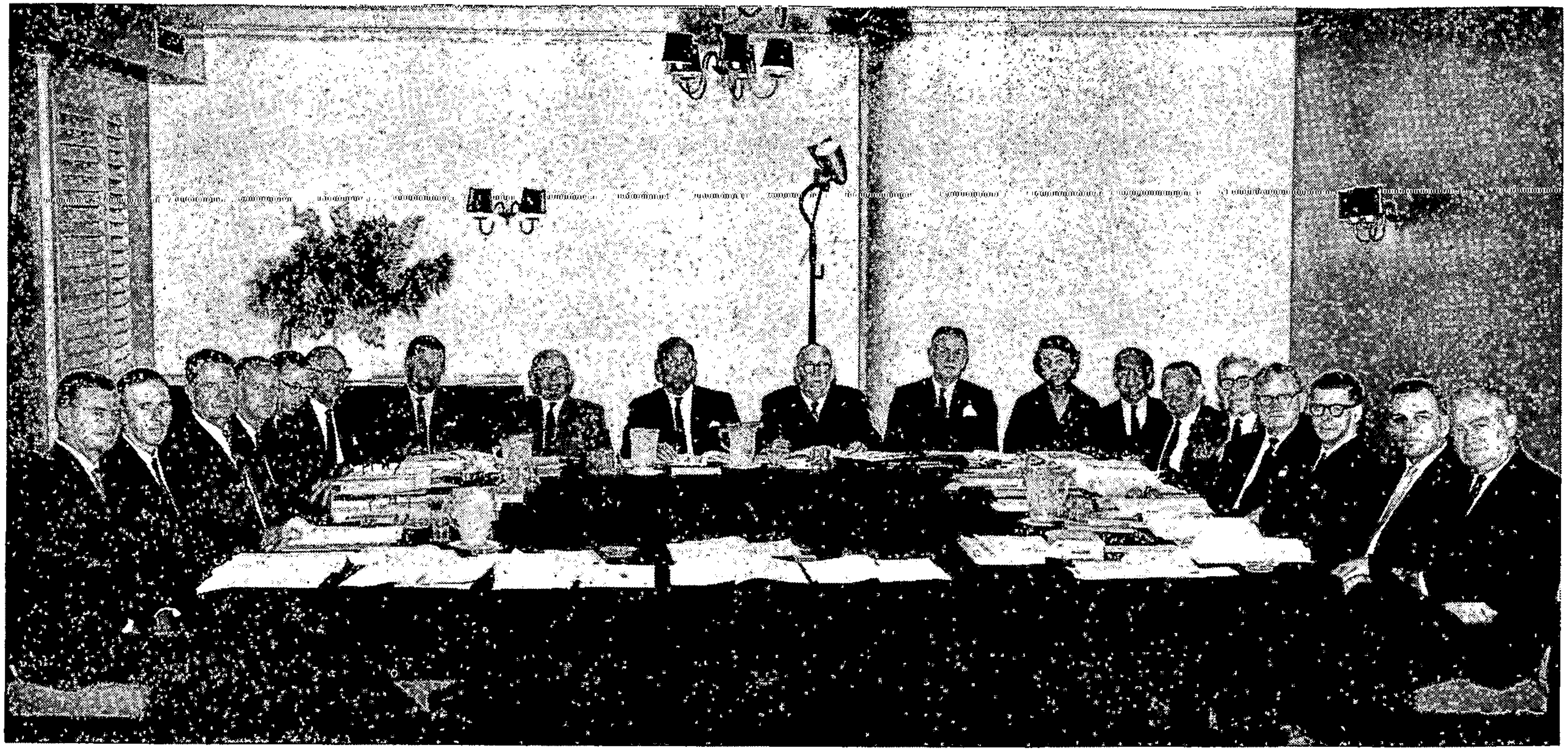
Columns (63) to (93) give an entirely different series of costs per 1,000 population. Both the 'per pupil' series and the 'per 1,000' series are self-contained; there is no confusion between them. Costs per 1,000 are given for all the main divisions of the education service previously enumerated (see pages 744–45). A few special classes of cost are aggregated for all divisions of the service in columns (90) to (93).

Basis of Comparison

A few words may be helpful as regards the use of '1,000 population' as a municipal cost unit. Strictly speaking, it is only in the broadest sense of the term that one can call this a cost unit at all. In such a sense, however, local authorities exist to serve their citizenry and costs 'per 1,000' do furnish a primary, if crude, index of their achievements. More important, however, is the fact that 'per 1,000 population' is the only basis which is common to the wide range of local authority services. Thus, even though costs per 1,000 population may be no guide to the efficiency of the education – or of most other – services, it is nevertheless the only index we have to compare the call made on our resources by the education service as compared with, say, the health, welfare, or children services. As an index of the cost to the ratepayer of different services and different divisions of service, costs per 1,000 population are important, even though their usefulness for inter-authority comparisons may be limited.

From the foregoing the reader should have a fair picture of the accounting techniques used, and of the cost data available in one main local government service, which for management purposes is, of course, invaluable, though complications do arise from the fact that other agencies than local government share responsibility for this particular service.

COUNCILS IN SESSION - XII



The General Council of the Australian Society of Accountants. Reading from the left in a clockwise direction round the table: Messrs G. F. Robbins (Queensland); J. G. Orr (Queensland) *Vice-President*; H. J. M. Ellis (Western Australia); V. A. Benjafield (Tasmania); H. W. B. Chester (New South Wales); O. H. Paton (New South Wales), G. H. Peterson (New South Wales); H. R. Irving (New South Wales) *Senior Vice-President*; L. A. Braddock (South Australia), *President*; J. M. Groom (Western Australia), *Immediate Past President;* C. W. Andersen *General Registrar*; Miss M. R. Garbutt, *Administrative Officer*; Messrs C. K. Davies (Victoria), *Honorary Treasurer;* G. E. Fitzgerald (Victoria); V. L. Solomon (Victoria); R. S. Sharp (Victoria); G. M. E. Offner (Queensland); A. S. Donnelly (Queensland); and D. P. Williams (South Australia).

The General Council is the governing body of the Society and is representative of the six State Councils elected by the members of the various States.

Tax Topics

UNCERTAINTY

MORE than a century and a half has elapsed since Adam Smith propounded his classic canons of taxation: equity, convenience, economy and certainty. Not all of these are as relevant to the present day fiscal situation as they were at the end of the eighteenth century, but they are none the less important. Whether or not Mr Callaghan was justified in anticipating his April Budget with his references to corporation tax and tax on capital gains is a matter for debate. But there can be no doubt as to the uncertainty he has generated among investment and City circles. While it may be true to say that such taxes were to be expected under a Labour Government, Mr Callaghan's review of the future in these two fields can hardly be said to have put industry's mind at rest.

While recognizing the reasons for Mr Callaghan's comments, one can only hope that the impact on those to whom they were primarily addressed will offset the uncertainty and all its consequences that they have generated among business and industrial circles since they were made on November 11th. Unfortunately, as stated elsewhere in this issue, Mr Callaghan's further attempt to clarify the position does not appear to have met the needs of the situation.

EXPENDITURE TAX

THE choice of personal advisers to Mr Wilson and Mr Callaghan has not had a very good Press; neither Dr Balogh nor Mr Kaldor is likely to be viewed with favour by those who prefer the *status quo.* Mr Kaldor was responsible for some interesting tax proposals to the Indian Government in 1956 and a recent article in the *Bulletin for International Fiscal Documentation* comments on the Indian experience with the expenditure tax.

This tax was adopted in 1957 and supplemented the income tax, it being charged at progressive rates ranging from 10–100 per cent on successive branches of expenditure over certain basic limits. In 1962, after five years, the tax was withdrawn by the new Finance Minister on the grounds that the tax had not fulfilled the hoped-for objectives, i.e. to restrain ostentatious expenditure and to promote personal savings. In addition, the yield had been very small indeed. The change of Government last year brought the former Finance Minister back to office and he has now revived the tax. He justified its reintroduction on the grounds that its shortcomings in the past were attributable to the existence of too many exemptions and the very high rates of tax. The revised tax has much lower and more realistic rates, i.e. 5–20 per cent, while the exemptions have been greatly reduced. It will be interesting to see how the tax functions. It will be recalled that Mr Kaldor proposed such a tax for this country, suggesting it first be introduced in place of surtax to gain experience.

GAINS OR WEALTH TAX?

ALTHOUGH the subject of a wealth tax appears to have been dropped by Mr Callaghan, who was largely responsible for the publicity given this proposal, there are good reasons for believing that its introduction in the longer run is not out of the question. The significant point regarding the Chancellor's proposals for taxing capital gains is that the gains are to be determined by reference to a base value as on Budget day 1965. Such a base value would be essential for an expenditure tax, although it is not, strictly speaking, at all necessary for taxing capital gains. If the gains tax applies, as it may well do, to both quoted and unquoted shares then clearly a valuation of unquoted shares is necessary. Nor would it be reasonable to limit taxable gains to those from certain classes of assets only. Since all assets may come at some future date into the market, there is a strong case for valuing them as at the base date. It will be easier to do it then rather than x years hence on the disposal of the asset.

On the assumption that the capital gains tax will extend to a wider range of assets than the existing Case VII tax, then the valuation should be extended to cover most assets which could possibly come within the scope of a future wealth tax. It should not be forgotten that it is the essence of Socialist fiscal thinking that it is wealth that needs to be re-distributed through taxes rather than income. The present distribution of income is no more than the outcome of the distribution of wealth. A more equal distribution of wealth is the prerequisite of a more egalitarian distribution of income. Furthermore, in the short run at least, the revenue from such a tax could be used to keep other taxes down.

M.P.'s PAY

THE treatment in the popular Press of the increases in M.P.'s salaries has brought out the widespread lack of appreciation of the tax rules relating to expenses. The popular Press conveyed to its readers the impression that of the total salary, £1,250 was awarded as expenses. Had this in fact been the case, the public would have had every reason for protesting strongly, since it would have meant that M.P.s, who are after all employees, would have been treated for tax purposes quite differently from the other employees. There is no such thing as a tax-free expense allowance for persons assessed under Schedule E. It is noticeable that the Lawrence Report, in making this recommendation, was at pains to stress the fact that the salary proposed was based upon the need to meet average expenses of nearly £1,250. The position is, of course, that M.P.s will be assessed to tax on the entire

income except in so far as they can satisfy the requirements of Rule 9, whereunder it is provided that any expense wholly, exclusively, and necessarily incurred in the performance of their duties is deductible.

WHAT EXPENSES?

THERE seems also to be some confusion about the sum which M.P.s may be allowed for expenses. There are certainly wide differences. It seems to be common knowledge that in some cases the expenses are quite nominal and in other cases the entire income is absorbed. Questions have already been raised as to whether or not some uniform standard ought not to be employed here, but clearly such an arrangement would contradict the whole basis of Schedule E assessments.

The question that is worth asking, however, is whether it makes sense that an M.P., whatever his other sources of income may be, can claim that the bulk, if not all, his salary as an M.P. is absorbed in expenses. It would be interesting to learn what the Inland Revenue would say to the ordinary taxpayer with substantial external earnings in addition to his salary who sought to claim expenses equal or virtually equal to those external earnings. There is nothing under Schedule D, for example, except, of course. in the case of hobby farmers, that says that a taxpayer must try to make a profit. On the other hand, how many taxpayers are so quixotic that they are prepared to work hard merely in order to cover their expenses? One suspects that their Inspector of Taxes might have some observations to make.

Weekly Notes

INSTITUTE'S NEW COUNCIL MEMBER

MR D. S. MORPETH, B.COM., F.C.A., a partner in the firm of Touche, Ross, Bailey & Smart, Chartered Accountants, of London, was elected a member of the Council of The Institute of Chartered Accountants in England and Wales at the meeting of the Council held on December 2nd and reported elsewhere in this issue.

Mr D. S. Morpeth

Mr Morpeth, who is aged 40, was educated at George Watson's College and Edinburgh University. He served his articles with the London firm of E. C. Brown & Batts, passing the Final examination in November 1951 and being admitted to membership of the Institute in 1952. In February of that year he joined the firm of George A. Touche & Co (now Touche, Ross, Bailey & Smart) and became a partner in 1958.

Elected to the Committee of the London and District Society of Chartered Accountants in 1960, Mr Morpeth has since served as one of the Society's nominees on the Technical Advisory Committee of the Institute. In 1961 he presented a paper on 'Taxation and the professional man' at the eleventh National *Taxation* Conference held at Bournemouth.

From 1943–47, Mr Morpeth served in the Royal Artillery – part of the time in India, Burma and Malaya – and he was demobilized with rank of Captain. He joined the Honourable Artillery Company in 1949 and is at present Commanding Officer of the 1st Fd. Regt. H.A.C.

He is married, with two sons and two daughters.

RESIGNATIONS FROM THE COUNCIL

THE resignations of Mr P. F. Granger, F.C.A., and Mr M. Wheatley Jones, B.COM., F.C.A., from the Council of the Institute are also announced in the report of the proceedings of the Council elsewhere in this issue.

Mr Granger, who was President of the Institute in 1961–62, is senior partner in the firm of Mellors, Basden & Mellors, Chartered Accountants, of Nottingham. Admitted to membership of the Institute in 1928, he was elected to the Council in 1950 and has served on most of its committees. He was chairman of the District Societies Committee from 1959–60; vice-chairman of the Investigations Committee from 1958–60, and has served on the Applications, Examination, Finance, General Purposes and Parliamentary and Law Committees. He has also been a member of the Executive Committee of the Chartered Accountants' Benevolent Association.

Mr Wheatley Jones was admitted to membership of the Institute in 1919 and is senior partner in the firm of Haworth & Wheatley Jones, Chartered Accountants, of Manchester. Elected to the Council of the Institute in August 1953, Mr Wheatley Jones served on the Articled Clerks Committee from 1954–64, being vice-chairman from 1958–61 and chairman from June 1961 to June 1964. He has also served as a member of the Applications Committee, the District Societies Committee, the Finance Committee, the Disciplinary Committee and the General Purposes Committee.

SHORT-TERM GAINS AND ACCOUNTANTS' CHARGES

SHORT-TERM gains assessed under Case VII of Schedule D have to be computed on the same basis as if the transactions of acquisition and disposal amounted to an adventure in the nature of trade chargeable under Case I. Although there may well be only one acquisition and one disposal involved, the computation of the net profit can still be a difficult matter. It is a task for an accountant. If the transactions in question amounted to a real trade, tax inspectors would hardly make difficulties about deducting the accountant's charges as an expense.

It is surprising, therefore, that the Board of Inland Revenue (as reported on page 764) should have made difficulties about allowing accountants' charges in a Case VII computation. No doubt it is true that, in a great many cases, if no tax is imposed on these transactions the taxpayer would not go to the trouble and expense of computing the profit. But that applies equally to a great many traders. It is common knowledge that small traders never trouble about accounts until they receive the unwelcome attentions of the tax inspector – and sometimes not even then. It seems therefore somewhat pettifogging that the Inland Revenue should resist the deduction of accountants' charges in computing Case VII profit.

MORE ABOUT COMPANY INFORMATION

REALIZING that shareholders and potential investors have a right to know as much as possible about the activities, trading results and financial standing of public companies, the International Federation of Stock Exchanges, at a recent meeting in Amsterdam, approved a series of recommendations on similar lines to those issued by the Council of the London Stock Exchange about three months ago. In one respect, the Federation goes further than the London Stock Exchange in that it advocates the release of information relating to future programmes and suggests that general trends of technical developments should be indicated with descriptions of methods of operation, production prospects and prices. One can easily visualize circumstances under which the disclosure of such details might be the reverse of beneficial to existing shareholders. Surprise is a vital element in the strategy of fierce commercial competition and to give away particulars of new products in advance of marketing them might prove disastrous.

The Federation also puts forward a time-table for the publication of accounts and gives a general limit of six months after the financial year-end. Where companies have foreign subsidiaries or interests another three months' grace is allowed. Both periods are far too long. To take two instances only – the directors' reports for the calendar year 1963 of Imperial Chemical Industries and the Dunlop Rubber Company, both with world-wide connections, were dated March 13th, 1964, and April 16th, 1964, respectively, an average of about three months after the end of their financial years. Smaller companies which cannot match these dates may well be in need of an impartial investigation into their accounting methods in order to speed up the process of reporting.

IRISH INSTITUTE'S COMPUTER COURSE

LAST week, accountants in Ireland attended a residential computer appreciation course at the Shamrock Lodge Hotel, Athlone. The course lasted three days.

The principal speaker was Mr A. B. Frielink, from Amsterdam. Mr Frielink, a Dutch accountant and lecturer at the University of Amsterdam, is a member of the board of the Netherlands Electronic Data Processing Centre.

In his opening address, the President of The Institute of Chartered Accountants in Ireland, Mr John Love, F.C.A., said that this was the first of a number of specialized courses which the Institute was arranging. 'The computer', he said, 'is rapidly becoming an essential management aid. It is extremely important that the chartered accountant, whether he be employed in industry or in practice, should have sufficient knowledge of computer techniques and operation to be able to appreciate fully modern electronic data processing methods.' Mr Love went on to say that the installation and operation of a computer posed problems of particular difficulty to the accountant in his role as auditor, and the Institute's new courses would contribute to the easing of such difficulties.

Other speakers at the course were Mr K. C. Phillips, A.S.A.A., of Esso Petroleum Co Ltd, Mr Michael Collins, of Esso Petroleum Co (Ireland) Ltd, and Mr R. E. Mollard, A.C.A., of Goulding Fertilisers Ltd.

MERCHANTING TRENDS INQUIRY

THE results of the ninth inquiry of The Association of British Chambers of Commerce into the experience and expectations of United Kingdom merchants engaged in foreign trade were published on Thursday. The results show a considerable decline in confidence both about the general business situation and about exports since the eighth survey appeared in August. About half of the respondents appear to be less optimistic in general than they were four months ago, easily the most pessimistic result since the survey was started nearly three years ago.

Returns were made between November 7th and 21st, that is to say after the announcement of the import surcharge and export rebate schemes but before Bank rate was raised to 7 per cent; about half the questionnaires were also completed before Budget day on November 11th. The survey is based on the replies of 305 merchants whose estimated annual turnover amounts to about £430 million.

It is apparent from the results that the bigger firms are, in general, more pessimistic than the smaller

ones about export prospects, but more optimistic about imports than the smaller merchant. From all groups a drop is reported in the rate of orders received over the past four months and in the rate of deliveries and the level of outstanding orders received. At the same time delivery dates appear to have lengthened and prices to have risen. In the coming four months a significant decline in the tempo of business is expected and more than one-third of the respondents think that export prices will continue to rise.

This is the general picture, but the engineering products and manufactured chemicals groups both predict an increase in new orders and in deliveries, associated with some lengthening of delivery dates and rising prices. The 'other manufactures' group expects little change. Amongst the general comments made by some respondents is one which refers to the certainty of the 'tremendous boomerang effect' which the import surcharge 'is going to have on our exports before very long'.

In view of the 15 per cent surcharge, a substantial decline in import business is predicted. All trade groups forecast a reduced rate of orders placed abroad and of import arrivals, and even the trade groups not materially affected by the surcharge expect some reduction in business. This suggests that there may have been some precautionary buying in anticipation of the imposition of import controls.

STOCKS AND PRODUCTION

IT is self-evident that the amount of working capital tied up in stocks of materials and fuel, work in progress and finished goods in manufacturing industry is large. At the end of 1957 the total of such stocks in industry was estimated at £4,842 million. It is a commonplace that the volume of stocks held changes in relation to the rate of industrial production, although there are significant time lags. It is equally well known that substantial changes in the level of stocks held have important repercussions upon the balance of payments.

In short, there is urgent need for reliable statistical information relating to the stockholding and building habits in British industry. Furthermore, if the relationship between the level of stocks and the level of industrial output can be defined with any precision, a useful predictor may be derived for short-term economic planning. Since 1957, the Board of Trade has been compiling and analysing information relating to stocks and production in manufacturing industry. The eight-year period covers only one full economic cycle and part of another, and it is thus too short to enable precise relations to be identified. Furthermore, in so far as the data are based on estimated book values, which must be converted into constant (1958) prices, there are considerable statistical complexities. There is also the variability in the seasonally adjusted estimates of stocks and production which makes the determination of turning points in the cycle uncertain.

However, a detailed analysis described in the current issue of *Economic Trends* (November) reveals that there is a strong cyclical movement in most components of stocks, and that the stock cycle lags behind the production cycle. Unfortunately, the lag is neither constant for industry as a whole nor is it the same within each industry. It seems, too, that there are significant long-term and opposing trends in the levels of stocks and materials and fuel and of finished goods relative to output, although the figures of work in progress reflect the trend in output more closely.

WHAT A TRUSTEE NEED NOT TELL

IN a leading article in our issue of November 21st ('Should a Trustee Tell'), we reported that the Court of Appeal had allowed the trustees' appeal in *Re Londonderry's Settlement*. The precise form of the declaration to be made was left over for agreement between the parties. The Court has now declared (according to *The Times* of November 27th) that, without prejudice to the right of Lady Maglona Walsh (the defendant), to 'discovery' in separate proceedings against the plaintiffs (the trustees) and subject to any order the Court might think fit to make in particular circumstances, the plaintiffs, in their capacity as trustees of the settlement, were not bound to disclose to the defendant any of the following documents:

(1) agenda of the meetings of the trustees;
(2) correspondence passing between the individuals for the time being holding office as trustees, or of appointors under the settlement;
(3) correspondence passing between the trustees and appointors of any of them and the beneficiaries under the settlement;
(4) minutes of meetings of the trustees or appointors and other documents disclosing the deliberations of the trustees as to the manner in which they should exercise the discretionary powers conferred upon them by clause 2 of the settlement or disclosing the reasons for any particular exercise of such powers or the material upon which such reasons were or might have been based;

provided always that the plaintiffs were bound to disclose to the defendant at her request any written advice from their solicitors or counsel as to the manner in which the trustees were in law entitled to exercise such powers.

FORWARD STRIPPING IS 'DEALING'

THE Inland Revenue suffered a reverse last week when Mr Justice Buckley allowed an appeal by a taxpayer against a decision by the Special Commissioners on a loss claim under section 341 of the Income Tax Act, 1952. (*Finsbury Securities Ltd v. Bishop*) reported in *The Times* of December 5th.

The company claimed that it carried on the trade of dealing in shares. In this dealing it included, over

three years, fifteen transactions in what is known as 'forward dividend stripping'. In a typical case the company which was to be stripped had created one hundred shares of £1 each carrying special rights, i.e. to (*a*) a fixed preference dividend and (*b*) further special dividends exhausting the company's distributable profits over six years, but subject to an aggregate maximum of £60,000 net. These shares were issued to the members who immediately sold them to the appellant company for (i) £100 plus; (ii) £60,000 plus; (iii) one-half of any tax repayments in respect of the shares. There was to be a reduction in the aggregate price if the special dividends did not reach £60,000 net. The appellant company treated this share acquisition as stock-in-trade, charged the original cost, and the gradual diminution in value to revenue account, and claimed set-off under section 341 of the resultant losses.

The Revenue resisted the claim on the ground that the transactions were not characteristic of a dealer in securities; that they were more consonant with holding the shares as investments, since it was not the appellant company's intention to sell them. Against them, of course, was cited the House of Lords' decision in *Harrison (Watford) Ltd v. Griffith* (41 A.T.C. 36) where ordinary 'dividend stripping' was held to be trading. Applying this decision, the learned judge said that where a trader bought shares with the intention of making a profit he was trading, even though the profit may have arisen by way of dividend, repayment, reduction of capital, or liquidation. Here, all the transactions were designed to produce profits, apart from any tax repayment which might become due. The transactions were, therefore, genuine commercial transactions, and part of the trade of dealing in securities. The test was an objective one; the company may have intended retaining the shares over a fixed period, but there was nothing in the agreements to prevent it from selling the shares.

DUAL-CONTROL CARS RECEIVE INVESTMENT ALLOWANCES

ON December 1st, Mr Justice Buckley ruled that dual-control cars used by motoring schools qualify for investment allowance in that they are of a type not commonly used as private vehicles and unsuitable for such use, within the meaning of section 16 of the Finance Act, 1954. His lordship rejected the Revenue's argument that the adaptation to dual control did not change the type of car. He also rejected a further argument based on the point that the adaptation was purely temporary and could be reversed by a skilled mechanic in two hours. In another case, where cars used by a motoring school were not dual-control, his lordship held that the cars were not 'provided wholly or mainly for hire' within the meaning of section 16. They were accordingly not entitled to investment allowance. This was so notwithstanding that pupils who brought their own cars were charged much less than those who used the school's cars.

STOLEN RENT NOT A MANAGEMENT EXPENSE

THE phrase 'maintenance, repairs, insurance and management', in section 101 of the Income Tax Act, 1952, has given rise to a number of problems. The latest one is the question whether, when an estate agent fraudulently converts rents to his own use, the owner-taxpayer can treat the loss as an 'expense of management'. The General Commissioners for the Division of Pershore West thought that he could but Mr Justice Buckley, according to *The Times* of November 25th, has held that he can not. The dispute arose in *Pyne v. Stallard-Penoyre*, on a 'maintenance claim' for 1958–59. The taxpayer employed an agent to collect the rents on his estate, and the agent had converted some £2,000 of them to his own use, and died insolvent shortly afterwards. The Inland Revenue argued that the Schedule A tax was based on annual value, and the conversion of the rents had no effect on that. The taxpayer argued that any expense not of a capital nature was allowable. His lordship said that to be a cost of management, some service or benefit to the estate must have been procured but there was none here. It was an expense rather of mismanagement than management. We would add that it is to be hoped that the Case VIII rules of deduction of expenses will be amended to save property owners from paying tax on rents they lose in this way.

MANAGING THE PUBLIC SECTOR

THE 'public sector' of the economy covers both central and local government, as well as the nationalized industries. It accounts for two-fifths of the gross national product, employing about one-quarter of the labour force and among them some 60 per cent of persons with a university or professional qualification. The big question is what does the taxpayer get for all this outlay? According to Sir Richard Clark, K.C.B., O.B.E., Second Secretary of the Treasury, the end-product defies any conclusive answer but rather should be assessed in the light of political and social considerations. This, as Sir Richard in the course of his Stamp Memorial Lecture[1] concedes, is a purely subjective assessment 'depending upon the social considerations to which one attaches most weight'.

As far as effective control of this massive volume of spending is concerned, Sir Richard seems fairly sanguine. The relatively few cases of mis-spending unearthed by the Comptroller and Auditor-General suggest that 'there is no room for complacency, but it would seem difficult to argue that there is widespread inadequacy'. In Sir Richard's opinion the biggest and most intractable problem is the control of expenditure in the field of research and development in the frontiers of aircraft and electronics technology. He notes that great efforts are being made

[1] The Athlone Press. University of London. Price 4s net.

to improve the existing methods of control but 'the problems are most difficult to overcome and the United States also finds them so.'

In modern budgetary policy, taxation decisions are concerned primarily with making resources available to the Government at the expense of the private sector's consumption or investment. Noting that there 'is a tendency to underestimate the future cost of Government policies', Sir Richard draws attention to the fact that while tax decisions are made for the short-run, expenditure policies need to be formulated for the longer term. In this field the Government must decide how much the public sector is to spend and at what rate its spending can, and should, grow. As Sir Richard remarks, such questions must be weighed realistically and not seen through rose-tinted spectacles.

This interesting lecture may not answer any questions but it certainly makes all too clear the implications of rising public expenditure.

This is My Life . . .

by An Industrious Accountant

CHAPTER 254

COMING near Christmas, with good resolutions looming up threateningly like storm clouds on the horizon, I undertook a dramatic major operation in office improvement. I cleared out an ancient rarely-used filing cabinet in a corner of my room.

I had inherited this one from my predecessor. It contained some old minute books and agenda notes, some equally aged private ledgers – and files . . . masses of files. Tucked in, and around, and under, and over the books, were old dog-eared, faded files. You know how it is. It had seemed rash to destroy them when I came; during my early months I had glanced at them hastily now and then; finally they just stayed untouched. When I changed rooms, the cabinet followed me like a ghost from the past, and took its place with the others along the wall.

My first personal secretary promised to sort out and index the contents. After an hour of grimy hands she encountered what she described as a 'monstrous creepy-crawly' and withdrew in disorder! My second P.S. promised to continue the job, but left to get married – presumably as the better choice of two evils. My third regarded the suggestion of sorting out the dusty collection as a huge joke. As Macaulay remarked: 'Was none who would be foremost, to lead such dire attack.' Clearly the task was mine alone.

The second drawer from the top contained files only, so it seemed to be the natural target for the initial assault. I took out a fusty bundle and commenced the task.

The first file chronicled the visit of a prominent politician some decades ago to open a 'new' extension. The photographs were fascinating. Our present chairman – then an up and coming member of the board – was there, with an engaging smile . . . the crumpled-looking suits of the leading V.I.P.s . . . the extraordinary hats and dresses of the lady visitors . . . the somewhat moronic expression of the politician . . . well, well, this was an heirloom; destruction would be vandalism. I put the file by.

The second file consisted of the results of a suggestion-box scheme, old hand-written notes recommending, criticizing, arguing new procedures. Some of them might obviously be useful still. I put the file by.

The next contained a number of letters from someone who had once been assistant accountant. While away sick he had received a letter terminating his employment. He was protesting, questioning . . . dignified, alarmed, worried . . . he got short shrift. Our copy letters merely stated that the board, having paid him what was due, had nothing to add. Personally I hold strong views on this sort of treatment . . . I put the file by.

Then came some diplomatic exchanges between my predecessor and the Collector of Taxes on the subject of paying Schedule D by long-drawn-out instalments. The time-consuming evasions were rather gems, the phraseology masterly. I couldn't bring myself to scrap these papers, either, so I put them by.

The next folder was really a revelation. A one-time chief accountant with a martinet's ruthlessness had noted methodically, over the months, his staff's mistakes. There were tear-off slips, dated and initialled. 'Smith: late back from lunch' . . . 'Brown: mistake in trial balance' . . . 'Robinson: sales journal totted inaccurately' . . . 'Jones: flirting with typists'. I was particularly intrigued by the latter because Jones, then junior cashier, is now a portly grandfather; I must show him the memo – his comments should be interesting.

There was no reference to good deeds. Nothing about working unpaid overtime, or studying for exams, or reconciling the trial balance in record time. I wondered what that file was used for. To block promotion or to minimize pay increases? In obedience to orders from above or to vent petty spite? I sat back with a feeling of repugnance.

Then the night watchman knocked at the door to ask if I was proposing to stay on much longer; so I put back all the files and locked the cabinet again. Probably my predecessor used to follow the same procedure.

Reviews

Management Information and Accounting

by R. WARWICK DOBSON, C.A., F.C.W.A. (Gee & Co (Publishers) Ltd, London. 50*s* net.)

It is fourteen years since the first specifically recorded definition of management accounting appeared, namely, 'the presentation of accounting information in such a way as to assist management in the creation of policy and in the day-to-day operation of an undertaking'. (*Management Accounting*. The British Productivity Council). Management has waited since then for the accounting profession to shed light on what was meant by 'accounting information' in that definition. Mr Warwick Dobson has now shed the light – fortunately in advance of the unleashing of the J.Dip.M.A., which qualification (in the opinion of this reviewer, at any rate), is certain to add to the confusion of the customers!

The author has written his book 'from the point of view of the manager – what his tasks are; what information he requires in order to decide what to do; and what information he needs to find out what has happened'. To say baldly that he has succeeded in this objective is to under-estimate the contribution which this book provides to management literature. One could almost describe it as an encyclopaedia on management.

The book is a substantial one – 498 pages excluding the index – but is completely without 'padding'. It is bursting with facts, and one can only stand in awe at the author's fantastic imagination by which he has propelled himself into hundreds of different management situations to look at the information requirements. A detailed synopsis at the beginning of each of the twenty-nine chapters and a twenty-six page index add considerably to its usefulness as a work of reference.

In addition to covering comprehensively the subjects often ignored in other books on management, e.g. communications services, transportation structure, the author deals most effectively with the old favourites, including the nature of management, the controlling process, the elements of business activities, organization structure, financial structure, business structure and policy structure. The first chapter on the nature of management is noteworthy for its very clear exposition of the constituents of management, i.e. policy formulation, forecasting, planning, organizing, commanding, co-ordinating and controlling. The book is aptly concluded by a chapter on the reports structure.

There are aspects, however, which will not please everyone. Some of the illustrations of statistical techniques are rather 'deep end' for the many non-swimmers who will be led to this particular pool. For instance, the formulae for product pricing in the chapter on goods will have most accountants gasping for air – which is no doubt a sad reflection on the profession. It is perplexing to find that certain operating statements show unflexed budget information for items that are traditionally flexed, e.g. machine hours lost and vehicle fuel consumed.

In such a vast concentration of information it is difficult to spot omissions, if one assumes that omissions are not intended. The only apparent absentee is the subject of industrial safety – for too long a 'Cinderella' in management circles and doomed, apparently, to wait still yet longer for her Prince Charming. But these again are minor criticisms – a few human errors and omissions beside a superhuman performance, a great and prodigious effort.

And yet it could conceivably have been better. In these days when we are concerned with *integrated* information systems, one would have hoped that the first chapter might have sported a chart to illustrate the relationship of information data to the constituents of management, with the rest of the book keyed into this section. Instead, the reader could conceive the impression that management information consists of a series of unconnected bits of data.

It is difficult to accept that the book has been written 'primarily for accountants' as the author indicates; it does not appear to admit to any particular bias and it may be regarded as being just as important to the managers who use management information as the accountants, and others, who have the responsibility of providing it.

Mr Warwick Dobson is to be congratulated on this historic contribution to management accounting literature.

Internal Audit in Local Authorities and Hospitals

Second edition. By W. L. ABERNETHY (Shaw & Sons Ltd, London. 57*s* 6*d* net.)

The first edition of this extremely useful work, when published in 1957, was deservedly well received. Changes in legislation and auditing practice have made it desirable to prepare a second edition to retain its usefulness as a guide to practitioners and an aid to students.

The first three chapters deal with auditing – particularly internal auditing – in general; then follow chapters on the internal audit of specific functions: vouchers, and receipts and payments; stocks, stores and inventories; wages and salaries; and the examination of contractors' final accounts. Chapter 8, headed 'The auditor and mechanization', has been materially expanded to recognize the rapid development in the use of electronic computers for local authority and hospital accounting work – in this the author is indebted to The Institute of Chartered Accountants

in England and Wales, and Mr Dudley W. Hooper, M.A., F.C.A., who is well known as an expert in this field. Last come the chapters dealing in detail with the services administered by local authorities and hospital authorities.

The aim of the author has been to provide a workmanlike volume of reasonable size to serve as a manual for the use of staff employed on internal audit work. There is no doubt that the object has been fully achieved; and although the title of the book would appear to confine its usefulness to the authorities mentioned, the complete exposition of internal audit principles and practices applies equally to all kinds of industrial and commercial undertakings where an internal auditor is, or should be, employed.

One might venture to suggest, for future editions, the inclusion, perhaps in an appendix, of a few sample programmes for specified audits; this would be an additional aid to examination students. And if one might essay a minor criticism, it is to doubt that *most* authorities require the keeping of inventories of moveable equipment and furniture (as stated on page 82) and to question the statement that inventories are worth while as a *protection* against loss. True, an inventory properly maintained and regularly checked would *discover* a loss sooner, perhaps, than would otherwise be the case; professional opinions are divided as to the economic value of keeping the inventories referred to.

Nevertheless, this book can be unreservedly recommended as a 'must' for any finance office library.

Giro Credit Transfer Systems

by F. P. THOMSON (Pergamon Press, Oxford. 15*s* net.)

Accountants may enjoy most, in this study of the world's giro systems, the elaborate costings of our existing British money transfer systems. They are detailed; perhaps too detailed. The cost of transmission by bank cheque, for example, includes the item 'Beneficiary's visit to bank to pay in cheque . . . 48·50*d*'. That estimate has been earlier explained as being based on a journey made by the accountant's secretary 'whose walk from office desk to the bank or post office counter takes an average of twenty minutes (in inclement weather 10 per cent longer is required, to don coat and goloshes). So a round journey to either place takes forty minutes and costs the firm . . . approximately 37·70*d*.' (The remaining 10·80*d* is overheads). As this is taking place in an office with 'fifty employees who work in a modern, air-conditioned building equipped with all the latest office machinery', we are left with the pleasing picture of the accountant sending his secretary to the bank, in goloshes if need be, with each single cheque as it is received.

The lack of a sense of proportion suggested by this single example is, alas, typical of the book as a whole. Mr Thomson is cross with cheques and credit transfers, enraged with money orders and postal orders, furious with Mr Mawby and the Post Office for their 1963 thumbs down – and infatuated with the giro. So, of credit transfers: after sixty-four million transactions in the first full year, 'by 1962 a fair degree of public disillusionment was beginning to show.' Evidence? – a *Lombard* article and a reader's letter in *The Financial Times*. The fact, not here recorded: 1962 showed a 20 per cent increase in credit transfer traffic over 1961. So, of bank mechanization: 'the grotesque-looking magnetic ink characters.' So, of cheques: 'stubs have been replaced by a form on which [the customer] has to copy out the cheque serial number etc.' On the British side of the picture this kind of splenetic inaccuracy serves largely for argument.

On the Continent, and in such far-flung corners of the giro territory as the Chad Republic, all is sweetness and light. The fact that Mr Thomson's own figures show how relatively few people have giro accounts in comparison with British bank account holders does not deter him from contrasting the '*really* popular alternative to cash handling' with 'the British habit of dealing in bank-notes and coinage'; and his delight with the cheapness of the service ignores the swingeing cash withdrawal and standing order charges of some of the systems. The giro principles 'would improve living standards and national efficiency'; but there is no discussion of the standards and efficiency of the United States – like the United Kingdom, giro-less.

All this is a great pity. There is room for intelligent discussion of money transfer systems, and accountants know better than most that they have deficiencies that need remedying. But they know, too, what formidable difficulties would attend the introduction of a giro in a country as thoroughly banked as Britain – and the United States – are, and as the Continental countries are not. The giro has great virtues, even if not as many as Mr Thomson credits it with; but it needs no crystal ball to see why the initial ardour of the Post Office cooled on closer examination. Mr Douglas Jay has written an enthusiastic foreword to Mr Thomson's book, and that may be a portent. Whether it is or not, it's sad that the book doesn't deserve it,

Butterworth's Income Tax Handbook – 1964–65

(Butterworth & Co Ltd, London. One copy 32*s* 6*d* net (two or three copies 30*s* each, four to eleven copies 27*s* 6*d* each, twelve or over 25*s* each. Post free).)

This volume, prepared by the publishers' legal editorial staff, contains the amended text of the Income Tax Acts as operative for the current year. The third volume in this series, it has now established itself as an excellent and handy reference book for day-to-day use. It has flexible but strong covers and weighs very little. The familiar loose-leaf volumes of the publishers' well-known *Simon* are cumbersome and weighty and one is not always entirely confident

that one's secretary (or whoever it is) has correctly inserted the amending pages. It is therefore very comforting to have a light, easily portable volume of which one can be sure that it is completely up to date.

The compilers have had a particularly heavy task this year because they have inserted the amendments made by the mammoth Income Tax Management Act. Although many of these do not come into force until 1965–66, it is obviously advantageous to have them there to see at once. Altogether this is a most useful book. (It takes no account, of course, of the recent autumn Budget.)

RECENT PUBLICATIONS

OFFICE ECONOMY BY O. & M., by G. E. Milward and P. H. S. Wroe. x+140 pp. 9×6. 21s net. Macmillan & Co Ltd, London.

PRODUCT ANALYSIS PRICING, by Wilfred Brown and Elliott Jaques. xii+148 pp. 9×5½. 18s net. Heinemann Educational Books Ltd, London.

BUSINESS PROCEDURES FOR THE SMALL BUILDING FIRM. 147 pp. 12×8½. £2 2s, post free. 27s 6d N.F.B.T.E. members. Prepared by the Smaller Firms Committee of the National Federation of Building Trades Employers, 82 New Cavendish Street, London W1.

RATES APPORTIONMENT TABLES. Compiled by L. G. E. Grover, F.C.A., Oyez Table No. 20. 7 pp. 13½×4½. 4s post free. The Solicitors' Law Stationery Society Ltd, London.

AGGREGATION IN ECONOMIC ANALYSIS: An Introductory Survey, by H. A. John Green. ix+129 pp. 9½×6½. 36s net (U.K. only). Princeton University Press. London: Oxford University Press.

COMPETITION FOR CONSUMERS: A Study of the Changing Channels of Distribution, by Christina Fulop. xii+323 pp. 9×6. 30s net. Published for The Institute of Economic Affairs by Andre Deutsch Ltd, London.

DISCOUNTED CASH FLOW AND CORPORATE PLANNING, by A. M. Alfred. Woolwich Economic Paper No. 3. 22 pp. Card covers. 3s 6d net. Department of Economics and Management, Woolwich Polytechnic, Wellington Street, Woolwich, London SE18.

MANAGING FOR RESULTS, by Peter F. Drucker. xi+224 pp. 8½×5½. 25s net. William Heinemann Ltd, 15–16 Queen Street, London W1.

PRODUCT ANALYSIS PRICING, by Wilfred Brown & Elliott Jaques. xii+148 pp. 9×5½. 18s net. Heinemann Educational Books Ltd, 15–16 Queen Street, London W1.

TRADE ASSOCIATIONS AND PROFESSIONAL MANAGEMENT BODIES OF THE UNITED KINGDOM, 2nd revised edition by Patricia Millard. xii+330 pp. 9×5½. David Fanning Associates, 50 Ewart Grove, London N22.

PROGRESS IN OPERATIONS RESEARCH, volume II, edited by David B. Hertz and Roger T. Eddison. x+455 pp. 9½×6. 84s net. John Wiley & Sons Ltd.

PLANNED MARKETING: Policy for business growth, by Ralph Glasser, B.SC.(ECON.) (LOND.), DIP. ECON. POLIT. SCI. (OXON). vii+166 pp. 9×6. 35s net. Business Publications Ltd, London.

BUSINESS ORGANIZATION: An Introductory Analysis, by Mrityunjoy Banerjee, M.A., LL.B.(CAL.), M.B.A.(U.S.A.). xi+320 pp. 9×6. 30s net. Asia Publishing House, 447 Strand, London WC2.

CONTROL OF A BUSINESS, by John Holbrook and Terry Prichard. x+179 pp. 9×6. 40s net. Business Publications Ltd, London.

JORDAN'S MODERN BOOK-KEEPING, Part I, seventh edition, by Frank H. Jones, F.A.C.C.A., A.C.I.S., F.C.C.S. xv+287 pp. 7½×5. 13s 6d net. Jordan & Sons Ltd, London.

SILKE ON SOUTH AFRICAN INCOME TAX, 1964 Supplement to the third edition, by A. S. Silke, M.COM., PH.D., C.A.(S.A.), A.S.A.A. 57 pp. 17s 6d net. 9½×6. Juta & Co, Johannesburg. London: Sweet & Maxwell Ltd.

These books may be obtained from, or through, Gee & Co (Publishers) Limited, The City Library, 151 Strand, London WC2.

Finance and Commerce

From Ireland

THIS week's reprint of the accounts of P. J. Carroll & Co Ltd, of Dundalk, Eire, will have a special interest for readers in Ireland. They are the company's first accounts to be prepared in accordance with the Irish Companies Act of 1963 and the fact is, by inference, placed on record by the auditors in their report.

Mr Donal S. A. Carroll, the chairman, in his statement with the accounts, points out to shareholders that it has been the directors' custom to present the company's accounts according to modern practice rather than as prescribed by the previous Companies Act, so that relatively few changes in the format can be seen.

One point where Irish law has moved ahead is the requirement of section 158 to publish the identity of subsidiaries. The extent of this new statutory information is moderate, in this case amounting to the names of the subsidiaries, all incorporated in Ireland.

Exceptional Profit

For the benefit of readers on this side of the water, and especially the non-smokers, it should be pointed out that the Carroll company owns the tobacco manufacturing business established by Patrick James Carroll in 1824. Its brand names include the famous (in Ireland) 'Sweet Afton' cigarette and 'Mick McQuaid' tobacco for pipe smokers.

But the company's trade connections enable it to offer Craven 'A', Rothmans King Size, Piccadilly and Peter Stuyvesant brands, among others. Those names indicate a close association with the Carreras company. Mr John Hansard, chairman of Carreras, is on the Carroll board and Mr Carroll is on the Carreras board.

One item which caught the eye in the Carroll accounts – or rather in the directors' report – was the statement that 'an exceptional profit of £45,089 arose during the year and has been transferred

directly to General Reserve'. Reference to the Note on movements in reserve produces no more than 'Exceptional profit (see note 2)'. Note 2 merely says that 'the above figures (of taxation) include taxation on an exceptional profit which has been transferred directly to General Reserve'.

Duty the Answer?

In accounts presented 'according to modern practice' an exceptional profit of £45,089 needs identification rather than the explanation that it simply 'arose during the year' and was placed to reserve. A clue to the identity of the exceptional profit is in the reference, in the directors' report, to an increase in tobacco duty in April 1964.

That is where exceptional profits invariably arise in tobacco companies and it is a reasonable assumption that the £45,089 of exceptional profit arose through the duty increase but the point is certainly not made clear in the Carroll report.

The stock element in a tobacco company is always high. In the accounts it will be seen that stocks at June 30th were some £900,000 higher than in 1963. Commenting on that increase, and on apparently significant changes in current liabilities as well as current assets, the chairman explains that the higher figures are 'in large part due to changes of methods within the company'.

The higher stock figure results partly from the acceptance of an opportunity to 'acquire some excellent tobaccos which had been in short supply' and partly to a decision to build up, over a period of time, sufficient manufactured goods to enable the factory partially to close down during two fortnightly holiday periods in July and August. Manufactured stocks reverted to normal by mid-August.

Turnover

The group trading profit of £828,654 was the highest ever achieved by the company and Mr Carroll reports that 'the rise in sales to the new record level of £17,850,000 has helped to offset partly the higher charges incurred' – Ireland is not immune from rising costs.

This looks very much like a first-time announcement for this important figure. Absolute certainty is difficult when the turnover figure is, as it were, dropped in at random. It is so much better if it is given in the actual accounts and can be compared with that of the previous year.

It should be quickly added that there are still far too many British companies which provide no turnover figure at all and too many which hide the figure away in the chairman's statement or leave it to be calculated from some 'where the money went' arithmetical exercise.

At which point it may be noted that Mr V. Jobson, chairman of the Qualcast company, with whom we exchanged some friendly words a few years back, still prefers the arithmetical exercise technique in pointing to turnover rather than stating it outright. We really cannot see why.

P. J. CARROLL AND COMPANY, LIMITED AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30th JUNE 1964

	1964 £	1963 £
TRADING PROFIT FOR THE YEAR (Note 1)	828,654	*760,619*
TAXATION (Note 2)	379,547	*372,873*
BALANCE AVAILABLE FOR APPROPRIATION BY P. J. CARROLL AND COMPANY, LIMITED	£449,107	*£387,746*
APPROPRIATIONS:		
TRANSFER TO LOAN STOCK REDEMPTION FUND	15,000	*15,000*
TRANSFER TO GENERAL RESERVE	200,000	*150,000*
PREFERENCE DIVIDEND *less* INCOME TAX	16,574	*16,450*
INTERIM ORDINARY DIVIDEND AT 10% *less* INCOME TAX	86,198	*85,677*
PROPOSED FINAL ORDINARY DIVIDEND AT 15% *less* INCOME TAX	129,297	*120,261*
AMOUNT ADDED TO BALANCE FORWARD	2,038	*358*
	£449,107	*£387,746*

DONAL S. A. CARROLL
H. E. GUINNESS } *Directors*

M. D. CORBETT, *Secretary.*

The notes on page [759], form part of these accounts

P. J. CARROLL AND COMPANY, LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 30th JUNE 1964

	£	£	£	1963 £
ASSETS *less* Current Liabilities				
FIXED ASSETS at cost or valuation, *less* Depreciation (Note 3)			1,017,335	726,420
CURRENT ASSETS				
Stocks		4,666,451		3,767,939
Debtors and payments in advance		2,164,753		1,870,655
Cash		3,569		2,775
		6,834,773		5,641,369
Less CURRENT LIABILITIES AND PROVISIONS				
Trade Creditors and Accrued Charges	1,957,853			1,600,173
Current Taxation	493,934			481,071
Bankers	1,445,497			620,945
Proposed Dividends	137,584			128,486
		4,034,868		2,830,675
			2,799,905	2,810,694
			£3,817,240	£3,537,114
FINANCED AS FOLLOWS				
ISSUED CAPITAL OF P. J. CARROLL AND COMPANY, LIMITED			1,650,000	1,650,000
CAPITAL RESERVES (Note 4)			366,000	366,000
LOAN STOCK REDEMPTION FUND (Note 4)			210,000	195,000
REVENUE RESERVES (Note 4)			1,038,240	791,114
AMOUNT SET ASIDE FOR FUTURE TAXATION (Note 5)			253,000	235,000
LOAN STOCK OF P. J. CARROLL AND COMPANY, LIMITED			300,000	300,000
			£3,817,240	£3,537,114

DONAL S. A. CARROLL, H. E. GUINNESS } *Directors.*

M. D. CORBETT, *Secretary.*

The notes on page [759] form part of these accounts

P. J. CARROLL AND COMPANY, LIMITED

BALANCE SHEET AT 30th JUNE 1964

	£	£	£	1963 £
ASSETS *less* Current Liabilities				
FIXED ASSETS at cost or valuation *less* Depreciation (Note 3)			907,008	616,093
SUBSIDIARY COMPANIES (Note 6)			1,662,935	1,662,256
CURRENT ASSETS				
Stocks		4,666,451		3,767,939
Debtors and payments in advance		332,712		266,524
Cash		3,469		2,373
		5,002,632		4,036,836
Less CURRENT LIABILITIES AND PROVISIONS				
Trade Creditors and Accrued Charges	1,953,898			1,587,473
Current Taxation	462,304			450,000
Bankers	1,246,568			652,132
Proposed Dividends	137,584			128,486
		3,800,354		2,818,091
			1,202,278	1,218,745
			£3,772,221	£3,497,094

FINANCED AS FOLLOWS

CAPITAL	£ Authorised in Shares of £1 each	£ Issued and converted into stock		1963
6% Cumulative Preference	500,000	400,000		400,000
Ordinary	2,000,000	1,250,000		1,250,000
	£2,500,000		1,650,000	1,650,000
CAPITAL RESERVES (Note 4)			366,000	366,000
LOAN STOCK REDEMPTION FUND (Note 4)			210,000	195,000
REVENUE RESERVES (Note 4)			1,013,221	766,094
AMOUNT SET ASIDE FOR FUTURE TAXATION (Note 5)			233,000	220,000
LOAN STOCK				
4½% Unsecured Loan Stock (1971)			300,000	300,000
			£3,772,221	£3,497,094

DONAL S. A. CARROLL, H. E. GUINNESS } *Directors.*

M. D. CORBETT, *Secretary.*

The notes on page [759] form part of these accounts

AUDITORS' REPORT

In our opinion the foregoing Accounts and Notes give a true and fair view of the state of affairs as at 30th June, 1964, and of the profit for the year ended on that date of the Group consisting of the Company and its Subsidiaries.

We have obtained all the information and explanations which we considered necessary. The Company has kept proper books and the Accounts of the Company, which are in agreement therewith, give with the Group Accounts and Notes in the prescribed manner the information required by the Companies Act, 1963.

CRAIG, GARDNER & CO.,
Chartered Accountants.

Dublin, 25th August, 1964

NOTES ON ACCOUNTS

P. J. CARROLL AND COMPANY, LIMITED AND SUBSIDIARIES

1. The Trading Profit for the year has been arrived at after charging:—

	1964 £	1964 £	1963 £	1963 £
Depreciation		94,310		*99,573*
Directors' Remuneration:				
Fees	3,900		*3,775*	
Salaries, Provision for Future Pensions and other Emoluments	25,426		*23,583*	
Pensions to former Directors	1,750	31,076	*1,750*	*29,108*
Interest on Loan Stock		13,500		*13,500*
Auditors' Remuneration		1,200		*961*
		£140,086		*£143,142*

2. TAXATION

The Taxation charge on the profit of the year is made up as follows:

	1964	1963
Income Tax	£260,359	*£244,767*
Corporation Profits Tax	£119,188	*£128,106*
	£379,547	*£372,873*

The above figures include taxation on an exceptional profit which has been transferred directly to General Reserve.

3. Details of Fixed Assets are set out below:

Group	Cost or Book Valuation at 1/9/57 £	1964 Depreciation Provisions £	Net £	*1963* £
Property and Goodwill (See Note)	746,618	57,524	689,094	*428,577*
Plant and Machinery	714,040	432,129	281,911	*257,056*
Motor Vehicles	75,161	28,831	46,330	*40,787*
	£1,535,819	£518,484	£1,017,335	*£726,420*

Property and Goodwill comprises Freehold and Leasehold Property and the net premium on acquisition of shares in a Subsidiary Company.

Parent Company	Cost or Book Valuation at 1/9/57 £	1964 Depreciation Provisions £	Net £	*1963* £
Property	636,291	57,524	578,767	*318,250*
Plant and Machinery	714,040	432,129	281,911	*257,056*
Motor Vehicles	75,161	28,831	46,330	*40,787*
	£1,425,492	£518,484	£907,008	*£616,093*

4. The movements on the Reserves are as follows:

	Capital Reserves: Share Premium £	*Group* Loan Stock Redemption Fund £	Revenue: General £	Revenue: Profit and Loss Account £
Balance at 30th June, 1963	366,000	195,000	708,500	82,613
Exceptional Profit (See Note 2)			45,089	
Transfer from Appropriation Account		15,000	200,000	
Balance of Profit Retained				2,038
			953,589	84,651
	£366,000	£210,000	£1,038,240	

	Capital Reserves: Share Premium £	*Parent Company* Loan Stock Redemption Fund £	Revenue Reserves: General £	Revenue Reserves: Profit and Loss Account £
Balance at 30th June, 1963	366,000	195,000	708,500	57,594
Exceptional Profit (See Note 2)			45,089	
Transfer from Appropriation Account		15,000	200,000	
Balance of Profit Retained				2,038
			953,589	59,632
	£366,000	£210,000	£1,013,221	

5. The amounts set aside for Future Taxation in the Consolidated Balance Sheet and the Balance Sheet of the Parent Company are based on the Profit of the year.

6. Subsidiary Companies

	1964 £	*1963* £
Shares at cost	338,902	*338,900*
Amounts owing by Subsidiaries including Dividends since declared	1,324,033	*1,323,356*
	£1,662,935	*£1,662,256*

7. There are commitments for Capital Expenditure amounting to £49,000 all of which are attributable to the Parent Company.

CITY NOTES

DOUBTS concerning the corporation and capital gains taxes having been further confused by the Chancellor's statement this week, the earlier disposition to look a shade more favourably at the stock-market did not last for long.

At present there is hardly a basis for investment support and any price rally is likely to provide an opportunity for renewed nervous selling.

If Bank rate is kept at 7 per cent for any length of time – and there is talk of this rate lasting for some months – there must be some reflection in rising money and credit costs and contraction in capital schemes.

Admittedly the 7 per cent Bank rate has not been accompanied by credit restrictions other than a directive on lending priorities, but the rate itself applies its own restriction to some extent. Until the gilt-edged market begins to reflect the prospect of a Bank rate reduction based on an improved balance of payments position, it would seem unwise to place too much faith in any rally in equities.

* * * *

THE flow of company news – predominantly in the form of interim statements at this time of year – is still good but comment on immediate future prospects is progressively becoming more and more guarded.

In his last review as chairman, Sir Julian Crossley of Barclays Bank D.C.O., emphasizes the need for an accepted code of conduct for the treatment of investment in underdeveloped countries.

Sir Julian sees the nucleus of such a code in the provision of investment insurance under certain conditions by West Germany and the United States. But if Britain and the Commonwealth could evolve a suitable plan, then there could be a more widely accepted scheme on a multilateral basis under the auspices of the World Bank.

* * * *

IT is hardly surprising that under current stock-market conditions, unit trust managers are placing the block offer accent on income trusts. Even if investment managers cannot see their way clearly enough to buy equities on a high yield basis, new funds can be placed outside the market on a temporary basis on a very favourable return. Institutional and other investors, meanwhile, are taking advantage of a number of industrial debenture placing operations which are offering yields in the region of 6¾ per cent. The growth investment door may seem temporarily shut but the income investment door is invitingly open.

* * * *

ONE investment development which seems to have suffered the pigeon-hole treatment as a result of the change in Government is the so-called 'new look' which, it was suggested at one time, might be given to the National Savings Movement. There were suggestions that the movement might go beyond the safety-first field of National Savings Certificates and National Development Bonds, plus the Premium Bond flutter, into a pattern of investment which aimed at recognizing the effect of inflation on savings and income. It was also accepted that some kind of national unit trust might form part of Government thinking in the small-saver investment sphere, but perhaps times are hardly propitious for such moves.

RATES AND PRICES

Closing prices, Wednesday, December 9th, 1964

Tax Reserve Certificates: interest rate 28.11.64 3½%

Bank Rate

Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%
Mar. 22, 1962	5%	Nov. 23, 1964	7%

Treasury Bills

Oct. 2	£4 13*s*	0·44*d*%	Nov. 6	£4 13*s*	5·09*d*%
Oct. 9	£4 13*s*	0·96*d*%	Nov. 13	£4 13*s*	3·71*d*%
Oct. 16	£4 14*s*	0·69*d*%	Nov. 20	£4 14*s*	8·31*d*%
Oct. 23	£4 14*s*	5·44*d*%	Nov. 27	£6 12*s*	7·25*d*%
Oct. 30	£4 13*s*	11·61*d*%	Dec. 4	£6 12*s*	4·62*d*%

Money Rates

Day to day	5⅜–6⅝%	*Bank Bills*	
7 days	5¼–6¼%	2 months	6 13/16–6⅞%
Fine Trade Bills		3 months	6 13/16–6⅞%
3 months	7¾–8%	4 months	6 13/16–6⅞%
4 months	7¾–8%	6 months	6 13/16–6⅞%
6 months	8–8¾%		

Foreign Exchanges

New York	2·79 1/16	Frankfurt	11·09¾
Montreal	3·00 5/32	Milan	1743½
Amsterdam	10·02½	Oslo	19·95⅝
Brussels	138·47½	Paris	13·67 5/16
Copenhagen	19·29⅜	Zürich	12·04⅛

Gilt-edged

Consols 4%	64	Funding 3% 59–69	89 1/16
Consols 2½%	40	Savings 3% 60–70	85¼
Conversion 6% 1972	101⅞	Savings 3% 65–75	75⅞
Conversion 5¼% 1974	93⅝	Savings 2½% 64–67	91 13/16
Conversion 5% 1971	94¾xd	Treasury 5½% 2008–12	88¾
Conversion 3½% 1969	89 11/16	Treasury 5% 86–89	84⅝
Conversion 3½%	55½	Treasury 3½% 77–80	73½
Funding 5½% 82–84	91⅞xd	Treasury 3½% 79–81	73½
Funding 4% 60–90	91⅛	Treasury 2½%	40
Funding 3½% 99–04	61⅜	Victory 4%	96⅝
Funding 3% 66–68	89⅝	War Loan 3½%	55⅛

WOMEN CHARTERED ACCOUNTANTS' DINNER

'Although accountancy is still looked upon as a male preserve and women are still regarded as mentally unsuitable for the profession, this is a view to which I do not subscribe', said Mr C. Pearson, F.C.A., President of the Liverpool Society of Chartered Accountants, speaking at a dinner of the Women Chartered Accountants' Dining Society held at The Law Society's Hall, London, on Friday of last week.

Mr Pearson, who was responding to the toast of 'The Guests', added: 'I think some of this prejudice arises from the idea that women are not good at mathematics and that you have to be very good at mathematics to be a good accountant. This is not necessarily true.'

Mr Pearson said that in his considered opinion women possessed all the attributes which made for accountants. The profession presented a field of very interesting work for everyone. If firms were prepared to make the proper arrangements there was no reason why they could not use women accountants both during married life and motherhood.

Ending his response to the toast, Mr Pearson said: 'I hope the example shown by this Society will encourage more young girls to take up accountancy. On behalf of my fellow guests I thank you for inviting us to what has been a most delightful evening'.

At the reception preceding the dinner nearly ninety members and guests were received by the Chairman of the Dining Society, Miss Beryl Rainey, F.C.A. The principal guest was Mr W. G. Densem, F.C.A., President of The Institute of Chartered Accountants in England and Wales; and the guest speaker was Mrs H. J. Moos, Education Officer at India House.

Miss Rainey proposed the loyal toast and also the toast of 'The Institute of Chartered Accountants in England and Wales'.

She extended a special welcome to Mr Densem who was attending the annual dinner for the second consecutive year. Miss Rainey also paid tribute to the President of The Law Society and to the sponsor of the dinner, Mr W. M. Collins.

Ethel Watts Prize Fund

She reminded members of the Society that it was a year since the death of Miss Ethel Watts and several ideas had been put forward as a fitting memorial to her such as a prize fund or an item of furniture for the new Institute building in Moorgate Place.

At the moment there was a sufficient prize fund and the Examination Committee of the Institute would be meeting at the end of January to consider suggestions put forward for a memorial.

It had been suggested that a prize might be awarded to the best woman candidate in the Final examinations. Miss Rainey understood there would be no shortage of women candidates at the next examinations. Nevertheless, she added, the Society intended to launch the fund in 1965.

Miss Rainey expressed the hope that the proposed new Institute building would have a less 'reserved atmosphere'. Since the present building was erected in 1893 the Institute had made great strides. The records showed that in 1883 there were 1,097 members. By 1970 the figure was expected to reach 50,000.

In a profession in which the demand for skill became more and more demanding, it was important that practitioners should keep ahead of modern developments. Accountants, after all, were in charge of future development, said Miss Rainey.

Perhaps the biggest problem facing the profession was the shortage of qualified staff – particularly articled clerks. She knew how much the smaller firms who experienced difficulties in obtaining qualified staff appreciated the help offered by the Institute, such as the courses on electronic data processing.

Miss Rainey concluded by paying tribute to the time and effort put in by the Council and committees of the Institute on behalf of the profession.

Looking to the Future

In his response to the toast of 'The Institute', Mr Densem said that the Institute regarded all its members as equal and did not go out of its way to cater for any particular section of the profession.

But, added Mr Densem, if women members thought there was going to be a separate annexe for them in the new building, the erection of which might be held up by the new Government, he must disillusion them.

Referring to the E.D.P. courses which the Institute was holding, Mr Densem said the object was to get members to look forward and meet future demands of the profession.

The toast of 'The Guests' was proposed by Miss G. E. M. Dodsworth, F.C.A., who extended a special welcome to Mr Pearson, Mr A. P. Hughes, F.C.A., Chairman of the London and District Society, and Mrs Moos.

Miss Rainey introduced Mrs Moos who chose as the subject of her talk, 'The evolution of the Commonwealth'.

She used as her theme quotations from Mr Patrick Gordon Walker on the development of the Commonwealth since the loss of the American territories and speeches by the late Pandit Nehru immediately prior to India becoming an independent republic within the Commonwealth in 1950.

Today the Commonwealth comprised twenty independent sovereign States and the vast territory they covered was 'something fantastic'. The area of the Commonwealth was in the region of 14 million square miles with a total population of 714 million. By far the biggest portion of the population – 450 million – was confined to India.

Mrs Moos said she could remember the occasion when the Indian flag was first raised in her country. Since then an understanding between members and the Motherland had grown and grown not only in the fields of science, education and technology but in social services and other ways.

Commonwealth members were as diverse as any states in the world, with Canada and its modern industry on one side and India and its own 'certain civilization' on the other. Things in India were changing for the better, however, and 'crops were growing where before there was only desert'.

FOR STUDENTS

BAD DEBTS

Debts actually Written Off

A COMPANY which sells goods on credit runs the normal trading risk of incurring bad debts, as there is an interval of time between their dispatch (with the consequent loss of possession) and the date the cheque in settlement is due. If, for any reason, the debtor is unable to pay, the invoiced value of the goods is lost, that is, a 'bad debt' is incurred. The relative sales ledger account must be closed, so a credit is posted, 'bad debts account' being debited. The debt is therefore deleted from the books.

Debts thought to be Irrecoverable

Considerable time may elapse before a debt can be finally regarded as irrecoverable. At a balance sheet date, therefore, certain debts in the sales ledger may appear doubtful, that is, it is probable that they will have to be written off, in whole or in part, at sometime in the future. If this type of debt is included in the balance sheet at its full value, the item 'sundry debtors' will be overstated; moreover, nothing will have been charged against profits to cover the probable loss. To reflect the true state of affairs it is necessary to create a provision in the books for the amount of the anticipated loss. Bad debts account is debited with the amount of such loss, and therefore the charge to profit and loss account includes both the *actual* loss from debts known to be bad (as set out above) and the *probable* loss from doubtful accounts.

It is not desirable at this stage to credit the sales ledger account with the amount of the provision in case it turns out to be unnecessary, so to complete the double entry, 'provision for bad debts account' is credited. When the balance sheet is prepared, the balance of this account is deducted from the total of the sales ledger debts, so that the net figure represents the realizable value, i.e. the amount of cash to be received in due course.

A year later the situation regarding the debts previously regarded as doubtful will probably be clear. If they have been paid, the provision made a year ago is unnecessary; if they are now finally regarded as irrecoverable, the sales ledger account must be closed. In the first event, the previous year's provision is now unnecessary so it may be transferred to the credit of bad debts account thus benefiting the profit and loss account.

In the second event, the debt must be written off, not to bad debts account and hence to profit and loss account, but to the provision account where a balance already exists to cover it. Thus the loss resulting from the debt finally adjudged to be irrecoverable fell upon the profits of the earlier year, when the loss was suspected though not certain, and not upon the later year when suspicion became certainty.

Illustration

A company had the following book debts at the end of 1963 and 1964, respectively:

	1963	*1964*
	£	£
A.	240	400
B.	300	440
C.	75	75
F.	325	245
G.	—	40
I.	60	—
	£1,000	£1,200

BAD DEBTS ACCOUNT

1963			£	*1963*		£
Dec. 31st	Sundries (actual bad debts)		58	Dec. 31st	Profit and loss account	193
	Provision for bad debts account:					
	C.	£75				
	I.	60				
			135			
			£193			£193
1964			£	*1964*		£
Dec. 31st	Sundries (actual bad debts)		110	Dec. 31st	Provision for bad debts account ..	60
	Provision for bad debts account:				Profit and loss account	90
	G.		40			
			£150			£150

Provision for Bad Debts Account

1963		£	*1963*			£
Dec. 31st	Balance, carried down	135	Dec. 31st	Bad debts account:		
				C.	£75	
				I.	60	
					—	135
		£135				£135
1964		£	*1964*			£
Dec. 31st	Sales ledger account: C.	75	Jan. 1st	Balance, brought down		135
	Bad debt account: Provision re I. no longer required	60	Dec. 31st	Bad debt account: G.		40
	Balance, carried down	40				
		£175				£175
			1965			
			Jan. 1st	Balance, brought down		£40

In 1963 the debts of C. and I. appeared doubtful, so it was decided to provide for the whole of the possible loss. At the end of 1964 it was clear that C.'s debt was irrecoverable and it was decided to write it off. I.'s debt had been paid in full. In addition to the above, debts actually written off amounted to £58 and £110 in 1963 and 1964, respectively. At the end of 1964, G.'s debt appeared doubtful. The appropriate entries are as follows:

The balance sheets will disclose the following figures in respect of debtors:

	December 31st *1963*	*1964*
	£	£
Sundry debtors	1,000	1,125
Less Provision for bad debts ..	135	40
Equivalent to £240+£300+£325 ..	£865	
Equivalent to £400+£440+£245 ..		£1,085

Illustration Considered

A perusal of the foregoing shows that the balance of the bad debt account (i.e. the amount charged to profit and loss account), represents (i) debts actually bad, and (ii) debts specifically provided for, less amounts provided in a previous year which turn out to be unnecessary.

The balance of the provision account is carried forward in the books from year to year subject to subsequent transfers for the actual writing off of debts included in the balance (C.'s debt), or for amounts no longer required (I.'s debt), similar principles apply if it is considered that a debt may be *partly* irrecoverable. In this case, specific provision would be made for the estimated amount of the loss only, as the remainder of the debt should later be received in cash.

General Provision

Some companies, besides providing specifically for particular debts known to be doubtful, also make a general provision to cover the possible risk of loss on the remaining debts. This is done by creating and maintaining a provision equal to a percentage (say 5 per cent) of the total outstanding good debts, i.e. after allowing for those specifically provided for.

If the company in the foregoing illustration decided to do this in 1963, bad debts account would be debited with 5 per cent of £865 (say £43), and the provision account credited. When the end of 1964 arrived and debtors totalled £1,085 net, it would be necessary to increase the provision to 5 per cent of this amount that is *to* £54. Therefore in 1964, the charge to bad debts account would be £11, i.e. 5 per cent of the increase of £220 during the year.

It should be noted that once the provision is created (in 1963 in this example), it is only necessary to deal in future years, with *changes* in the figure of debtors. If debtors have increased, the charge to bad debts account and hence to profit and loss account, should be the agreed percentage of the amount of the increase. If on the other hand, debtors in total have fallen, the existing general provision is excessive. It must therefore be reduced, and bad debts account will benefit by the agreed percentage of the reduction.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

MEETING OF THE COUNCIL

At a meeting of the Council held on Wednesday, December 2nd, 1964, at the Institute's temporary offices at City House, 56–66 Goswell Road, London EC1, there were present:

Mr W. Guy Densem, President in the Chair; Mr Robert McNeil, Vice-President; Messrs J. F. Allan, G. R. Appleyard, W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, Sir Henry Benson, C.B.E., Messrs G. T. E. Chamberlain, C. Croxton-Smith, E. Hay Davison, S. Dixon, Sir Harold Gillett, Bt, M.C., Messrs J. Godfrey, G. G. G. Goult, L. C. Hawkins, C.B.E., J. S. Heaton, J. A. Jackson, H. O. Johnson, R. O. A. Keel, Sir William Lawson, C.B.E., Messrs R. G. Leach, C.B.E., R. B. Leech, M.B.E., T.D., E. N. Macdonald, D.F.C., J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., S. J. Pears, F. E. Price, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs J. D. Russell, R. G. Slack, D. Steele, A. G. Thomas, A. H. Walton, R. Walton, F. J. Weeks, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., T.D., E. K. Wright, Sir Richard Yeabsley, C.B.E.

Election to the Council

Mr Douglas Spottiswoode Morpeth, B.COM., F.C.A., London, was elected a member of the Council to fill the vacancy caused by the death of Mr Percy Frederick Carpenter, F.C.A.

Resignations from the Council

The Council received with much regret the resignation of Mr P. F. Granger, F.C.A., Nottingham, and of Mr M. Wheatley Jones, B.COM., F.C.A., Manchester, from their membership of the Council. Mr Granger had been a member of the Council since 1950 and he was President for the year 1961–62. Mr Wheatley Jones had been a member of the Council since 1953.

Chairmen and Vice-Chairmen of Committees

It was reported that Mr Robert P. Winter had been appointed Chairman, and Mr S. John Pears, Vice-Chairman, of the General Purposes Committee.

Supplemental Royal Charter and Bye-laws

It was reported that the alterations and additions to the supplemental Royal Charter and Bye-laws passed at the special meeting of the Institute held on May 6th, 1964 (and confirmed where necessary at the special meeting of the Institute on July 1st, 1964), had been duly allowed by Her Majesty in Council and by the Lords of the Privy Council on October 15th, 1964; and that the alterations and additions would be included in the next supplement to the *Members' Handbook* to be issued on December 9th, 1964.

Accountancy Charges and Short-term Gains

The Council approved for publication the following statement:

'It has come to the Council's attention that cases have occurred of Inspectors seeking to disallow for tax purposes accountancy charges incurred in connection with the computation of short-term gains under Case VII of Schedule D.

'In correspondence with the chairman of the Board of Inland Revenue the Council has pointed out, *inter alia*, that the basic rule for the computation of short-term gains under Case VII of Schedule D is the same as for the computation of profits under Case I, that is, that transactions giving rise to short-term gains should be treated as though they had been adventures in the nature of trade. In consequence, the Council contended, expenses allowable under the general rules for computing the profits of a trade should also be allowable in computing short-term gains, and since it is accepted that normal accountancy charges for taxation work are allowable in computing the profits of a trade they should similarly be allowed under Case VII.

'In reply the Chairman of the Board of Inland Revenue has stated that the Revenue take the view that since it has been held that 'neither the cost of ascertaining taxable profit nor the cost of disputing it with the Revenue authorities is money spent to enable the trader to earn profit in his trade' they do not feel able to allow for tax purposes accountancy charges incurred in connection with short-term gains. It is the Revenue view that the whole cost of having accounts prepared is normally allowed as a deductible expense for a trading concern because the fraction which is strictly not allowable is small and difficult to distinguish, but the Revenue do not feel able to take the same line for Case VII, where, it is argued, the main task of the accountant seems likely to be concentrated on the preparation of tax computations related to the taxpayer's Case VII liability for the year. The Revenue draw an analogy between gains chargeable under Case VII and profits chargeable under Case III or even Schedule E, where, it is contended, the accountant's main contribution will probably be made after the profit has accrued.

'The Council in further correspondence with the chairman of the Board of Inland Revenue has made it clear that it does not accept the generalization that "the main task of the accountant seems likely to be concentrated on the preparation of tax computations related to the taxpayer's Case VII liability for the year", but considers that in practice the accountant's main task is likely to involve more accountancy than taxation work.'

Proposals of the London Stock Exchange regarding the disclosure of additional information by public quoted companies

It was reported that on November 20th, 1964, representatives of the Institute met representatives of London Stock Exchange by invitation to discuss recent Stock Exchange proposals relating to the disclosure of additional information by public quoted companies.

The Institute's representatives made it clear that the

Council of the Institute fully shared the wish of the London Stock Exchange for more disclosure and for further improvement in standards of financial reporting. It was agreed that the Institute and the London Stock Exchange should have further meetings to continue the discussions on this and other matters of mutual interest.

U.E.C.

Mr S. John Pears attended the meeting of the Executive Committee of the U.E.C. (in place of Sir Thomas Robson who was unable to attend) in Paris on November 27th and 28th, 1964. Mr Pears was accompanied by Mr C. Evan-Jones (Joint Secretary).

London Chamber of Commerce

The Council has nominated Mr J. Godfrey, M.A., F.C.A., as an honorary auditor of the London Chamber of Commerce in place of the late Mr Percy F. Carpenter, F.C.A.

National Council for Quality and Reliability

It was reported that Mr T. B. Pritchard, F.C.A., had been nominated as the Institute's representative on the National Council for Quality and Reliability.

Examination Results – September 1964

The results of the New Intermediate examination held in September 1964 were as follows:

Passed	*Failed*	*Total*
1,433	1,318	2,751

(The names of the successful candidates and the recipients of prizes and certificates of merit were published as a supplement to the December issue of *Accountancy* [and in the November 28th issue of *The Accountant*]).

Articled Clerks: Courses and Study Leave

The Council approved the proposal of the Articled Clerks Committee that the committee should accept for registration in the following circumstances articles of clerkship in which the prescribed periods of study leave have been reduced. The period of nine weeks' leave other than immediately before examinations may, with the consent of the parties, be reduced by any period spent by the articled clerk in following an acceptable introductory course as an employee of his principal's firm before the first day of his service under articles. When the articles are submitted for registration, they should be accompanied by a letter specifying the course attended, with dates.

Approved University Degree Course

The Council approved under bye-law 68 an application from the University College of Wales, Aberystwyth, for a proposed degree course which is to be brought into operation with effect from October 1965. The course has been agreed by the Joint Standing Committee of the Universities and the Accountancy Profession and by The Association of Certified and Corporate Accountants.

Registration of Articles

The Secretary reported the registration of 740 articles of clerkship during October, the total number since January 1st, 1964, being 2,456.

Admissions to Membership

The following were admitted to membership of the Institute:

Brain, (Mrs) Anne Marie, A.C.A., *a*1964; 11 Pretoria House, Rodwell Close, Eastcote, Middlesex.

Fernando, Chrisanta Francis, A.C.A., *a*1964; 24 Buller's Lane, Colombo 7.

§Kellow-Webb, Eric Guilbert Elred, A.S.A.A., *a*1964; 11 Townsend Road, Bedfordview, Transvaal, South Africa.

Koenig, Joseph Therese Jean-Claude Mallac, A.C.A., *a*1964; 1828 Albany Highway, Maddington, Australia.

Loveday, John Christopher, A.C.A., *a*1964; 1 Park Drive South, Huddersfield.

Massey, Peter Bernard, B.A., A.C.A., *a*1964; 91 Dovercourt Road, Horfield, Bristol 7.

Morris, The Hon. Michael David, A.C.A., *a*1964; 16B Edith Grove, London SW10.

§Siddiqui, Abdul Mabood, A.S.A.A., *a*1964; Sambros House, 113 Tejagon Industrial Area, Dacca 8, East Pakistan.

Spiteri, Norman Alfred, A.C.A., *a*1964; 21 Graham Street, Sliema, Malta.

Taylor, Ernest Brian, A.C.A., *a*1964; 6 Hendon Close, Costessey, Norwich, Norfolk, NOR 08 K.

Whitaker, Paul Everett, A.C.A., *a* 1964; 14 Cross Firs Street, Longwood, Huddersfield.

White, Adrian Tancred, A.C.A., *a*1964; 8 Egerton Place, London SW3.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Aldridge, John, A.C.A., *a* 1961; *Smith, Romain & Co, Thanet House, High Street, Brentford, Middlesex.

Atkinson, David John, A.C.A., *a*1964; 29 Forest Road, Nottingham.

Bangor-Jones, Richard Stephen, A.C.A., *a*1962; Charles E. Dolby & Son, 11 Dale Street, Liverpool 2.

Bartlett, Christopher John, A.C.A., *a*1963; *Barrow, Bartlett & Co, 17 Joy Street, Barnstaple, N. Devon.

Barton, Francis Wilson, F.C.A., *a*1928; ††Barton, Mayhew & Co, Apartado 95, Las Palmas, Grand Canary, Canary Islands.

Beaumont, Michael Day, A.C.A., *a*1958; Stephenson, Nuttall & Co, 22/26 Castle Gate, Newark, Notts.

Bennett, Edward Francis, F.C.A., *a*1940; Owen's Croft, South Milton, Kingsbridge, Devon.

Capewell, John Dennis, A.C.A., *a*1957; Homer, Capewell & Co, St Luke's Street, Cradley Heath, Staffs.

Chapman, Leonard, F.C.A., *aS*1949; J. A. Wild & Co, Regent Chambers, 20 St Petersgate, Stockport.

---

a Indicates the year of admission to the Institute
aS Indicates the year of admission to The Society of Incorporated Accountants.

§ Means 'incorporated accountant member'.

Firms not marked †, †† or * are composed wholly of chartered accountant members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

†† Against the name of a firm indicates that the firm includes an incorporated accountant member of this Institute and is composed wholly of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

*against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

Collis, Harvey Jack, A.C.A., *a*1962; 12 Greenhill, Wembley Park, Middlesex.
Currie, Arthur, F.C.A., *a*1932; McRae, Currie & Co, 261 Great Western Street, Manchester 14.
Dowle, John Michael, A.C.A., *a*1958; S. J. G. Southon & Co, 183 Ashley Road, Parkstone, Poole, Dorset.
Eccleston, David John, A.C.A., *a*1964; 7 Town Hill, Wrexham.
Gould, Michael James, A.C.A., *a*1964; Jackson & Gould, 65 Stricklandgate, Kendal, Westmorland.
Grant, Reginald, A.C.A., *a*1964; *Robert W. Watson & Co, 'Newlyn', New Street, Lymington, Hants.
Greene, Aubrey Christian, F.C.A., *a*1920; 12 Glan-Yr-Afon Gardens, Sketty, Swansea.
Gruhn, Ernest Paul James, A.C.A., *a*1960; Gruhn & Co, 'Timbers', Williams Way, Radlett, Herts.
Guest, John Vernon, A.C.A., *a*1963; White, Withers & Co, 39 Cambridge Road, Hastings.
Hanafiah, Bin Hussain, B.A.(COM.), A.C.A., *a*1957; Hanafiah, Raslan Ong & Co, P.O. Box 1040, 4th Floor, Pudu Building, Jalan Pudu, Kuala Lumpur, Malaysia.
Harrison, Christopher John, A.C.A., *a*1958; Richard Leyshon & Co, 128–129 Bute Street, Docks, Cardiff, and at Milford Haven and Neath.
Helliwell, Lionel Edward Armitage, F.C.A., *a*1947; Benjafield & Co, 30 Chamberlain Street, Wells, Somerset.
Hill, David Ronald, F.C.A., *aS*1952; Richard Leyshon & Co, 1 Charlesville Place, Neath, Glamorgan, and at Cardiff and Milford Haven.
Hillier, Gordon Lawrence William, A.C.A., *a*1962; 54 Pembroke Road, Bromley, Kent.
Hilton, John, A.C.A., *a*1962; J. Wild & Co, 72–76 Blackburn Street, Radcliffe, Manchester.
Hough, Peter John, A.C.A., *a*1964; Hough & Son, 1 Newgate Street, Newcastle upon Tyne 1.
Humphreys, Philip Thomas, A.C.A., *a*1961; *C. V. Miles & Partners, 45–46 The Parade, Cardiff.
Ing, Simon Burton, A.C.A., *a*1963; Simon B. Ing & Co, 103A High Street, King's Lynn, Norfolk.
Johnson, Roy William, A.C.A., *a*1964; J. C. Watson & Co, Westminster Bank Chambers, Station Road, Harrow, Middlesex.
Lawson, Max, A.C.A., *aS*1957; 57 Central Avenue, Pinner, Middlesex.
Mackenzie, John Duncan, A.C.A., *a*1959; Victor Stewart & Co, 72 Wimpole Street, London W1.
Mallinson, Peter Harold, A.C.A., *a*1964; W. S. Cunliffe & Co, 378 Stockport Road, Longsight, Manchester 12.
Masson, Kenneth Ely Brooke, A.C.A., *a*1957; †Finlay Robertson, High Holborn House, 52 High Holborn, London WC1.
Mayston, Albert Peter, A.C.A., *a*1963; 46 Syon Park Gardens, Isleworth, Middlesex.
Mohamad, Mohamad Nor, A.C.A., *a*1959; Hanafiah, Raslan, Ong & Co, P.O. Box 1040, 4th Floor, Pudu Building, Pudu Road, Kuala Lumpur, Malaysia.
Nuttall, Eric, A.C.A., *aS*1950; Wolstencroft & Co, 352 Leyland Lane, Leyland, Lancs.
O'Brien, Jeremiah Stephen, A.C.A., *aS*1957; 68 Church Road, Worcester Park, Surrey.
Ong, Boon Bah, A.C.A., *a*1958; Hanafiah, Raslan, Ong & Co, P.O. Box 1040, 4th Floor, Pudu Building, Pudu Road, Kuala Lumpur, Malaysia.
Pollard, Ronald, A.C.A., *aS*1957; J. Wild & Co, 72–76 Blackburn Street, Radcliffe, Manchester.
Price, Frederick Enoch, M.A., A.C.A., *a*1961; Charlton & Co, Norfolk House, Smallbrook, Ringway, Birmingham 5.
Reid, Peter William, A.C.A., *a*1958; Bailey, Verity & Rayner, Devonshire House, 32 North Parade, Bradford 1, and at Bingley and Ilkley.
Richards, Gordon Samuel, A.C.A., *a*1964; †Stein Richards & Co, 282 Kensington High Street, London W14.
Richardson, Grahame, A.C.A., *a*1957; 124 Kimberley Road, Benfleet, Essex.
Scruton, Leonard Edward, A.C.A., *a*1960; Scruton Trup & Co, 26 St Alban's Road, Watford, Herts.
Serkin, Stanley, A.C.A., *a*1964; Lever, Young & Serkin, Snow House, 103–109 Southwark Street, London SE1.
Seth, Shiv Kumar, A.C.A., *a*1961; *Mehra Khanna & Co, Nanabhai Mansion, 3rd Floor, Sir Pherozshah Mehta Road, Bombay 1, and at Delhi and Kampur.
Shear, Henry Baron, F.C.A., *a*1951; 107 Millway, Mill Hill, London NW7.
Shores, David Neville Waite, A.C.A., *a*1958; L. F. Hope Jones & Co, Lymington House, 73 High Street, Lymington, Hants, and at Highcliffe and New Milton.
Smith, William Frank, F.C.A., *a*1952; Whitehill Marsh Jackson & Co, 14 West Walk, Leicester.
Temple, Alan Duncan, A.C.A., *a*1962; Crayford House, Fleet Road, Holbeach, Lincs.
Trup, Cyril, B.SC.(ECON.), A.C.A., *a*1961; Scruton Trup & Co, 26 St Albans Road, Watford, Herts.
Wainwright, Jeremy Anthony William Piers, A.C.A., *a*1964; 11 Beckenham Road, Beckenham, Kent.
Weeden, Laurence Leonard, F.C.A., *a*1949; Greenslade & Co, and Kenny, Waldron, Chandler & Co, 21 Ironmonger Lane, London EC2, and at Northampton.
Wild, James Anthony, A.C.A., *a*1964; J. Wild & Co, 72–76 Blackburn Street, Radcliffe, Manchester.
Wong, Joseph Phui-Lun, B.COM., A.C.A., *a*1959; *Azman, Wong & Co, 7th Floor, Lee Yan Lian Building, Mountbatten Road, Kuala Lumpur, Malaysia.
Woodruff, Stanley Winfred, F.C.A., *a*1935; Stammers, Williamson & Co, 24 Gloucester Place, Brighton 1.
Young, Ernest Leonard, F.C.A., *a*1949; Lever Bros & Co, and Lever, Young & Serkin, Snow House, 103–109 Southwark Street, London SE1.

Readmission to Membership

It was reported to the Council that the following readmission, made at the Council meeting on November 4th, 1964, subject to payment of the amount required, had become effective:

Randall, Norman James, F.C.A., *a*1932; Auker & Co, 86 Cannon Street, London EC4.

Resignations

The Council accepted the resignation from membership of the Institute of:

Tomlinson, Richard Austin, F.C.A., *aS*1927; 21A Netherhall Gardens, Hampstead, London NW3.

and of the following members with effect from December 31st, 1964:

Birkett, James, M.A., F.C.A., *a*1907; 'Greendale', Fortescue, Sidmouth, Devon.
Carson, Murray Alexander, O.B.E., F.C.A., *a*1923; Lugard House, P.O. Box 5032, Nairobi.
Clayton, Arthur Essex, F.C.A., *a*1907; Bryony Lodge, Malthouse Lane, Hambledon, Godalming, Surrey.
Goodwin, Edward Vernon, F.C.A., *a*1930; 26 The Mansions, 252 Old Brompton Road, London SW5.
Gowers, Wilfrid Burgon, F.C.A., *a*1913; 4 Oriel Road, Sheffield 10.
Grenfell, Reginald Pascoe, B.A., F.C.A., *a*1948; Flat 8, 34 Elm Park Gardens, Chelsea, London SW10.
Lynn, Caesar Francis, M.A., F.C.A., *aS*1925; Willesley House, Cooperage Road, Bombay 1.
Macdonald, Keith Moray, B.A., F.C.A., *a*1953; 26 Sydney Road, Guildford, Surrey.
Robbins, Richard Langley, F.C.A., *a*1931; 64A Huntly Road, Talbot Woods, Bournemouth.
Shergold, Ewart William, F.C.A., *aS*1927; 5 Sunningdale Road, Bickley, Kent.
Talbot, Arthur Adolphus, F.C.A., *a*1925; 'Mayfield', Phoenix Green, Hartley Wintney, Hants.
Yarwood, Philip Ernest, F.C.A., *a*1911; Box 1621, V, G.P.O., Brisbane.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Walter Holman, J.P., F.C.A., Carshalton, a member of the Council of The Society of Incorporated Accountants from 1926 until 1951 and President of the Society, 1937–39.
,, Herbert Harry Baron, M.B.E., F.C.A., Manchester.
,, Edwin Edmund Cattell, M.A., F.C.A., Cape Town.
,, Eric Herbert Channon, F.C.A., Woodford Green.
,, James Douglas Chiswell, F.C.A., Sutton.
,, Matthew Robert Cobbett, F.C.A., Petersfield.
,, Thomas William Cond, F.C.A., Churchdown, Glos.
,, Anthony Newill Hargreaves, F.C.A., London.
,, Herbert Harrison, F.S.A.A., Windsor.
,, Edgar Dunlop Jehring, F.C.A., London.
Mr Leslie David King, F.C.A., Luton.
,, Peter James Knight, A.C.A., Sevenoaks.
,, William Frank Churchill Marwood, F.C.A., London.
,, Edward Shires, F.C.A., Cambridge.
,, Albert Douglas Tanner, F.C.A., Wokingham.
,, George Herbert Taylor, F.C.A., Dudley.
,, Tom Graham Threlford, F.C.A., London.
,, Augustus Granville White, F.C.A., Merstham.
,, Ernest Shaftesbury Withers, F.C.A., Sutton Coldfield.
,, John Swift Wortley, F.C.A., Sheffield.

Council Meetings

It was decided that future meetings of the Council would be held in the Council Chamber of The Chartered Insurance Institute.

Notes and Notices

PROFESSIONAL NOTICES

The formation of a firm by the name of ANNAN, IMPEY, MORRISH & NORTHERN PARTNERS, Douro House, 7 Douro Terrace, Sunderland, is announced. The partners in the firm are Mr K. J. SHARP, T.D., M.A., F.C.A., of ARMSTRONG, WATSON & MILBURN, Mr G. M. CARRICK, F.C.A., of GARDNER & Co, Sir ROBIN M. CHAPMAN, Bt, C.B.E., T.D., D.L., M.A., F.C.A., of HENRY CHAPMAN, SON & Co, Mr A. C. DIXON, M.B.E., T.D., F.C.A., of SQUANCE & Co, and Mr C. I. BOSTOCK, M.A., F.C.A., Mr J. W. HILLS, M.A., A.C.A., and Mr C. H. BROWN, B.A., A.C.A., of ANNAN, IMPEY, MORRISH & Co.

MESSRS DAVIES & HORWOOD announce that their address is now 56 Northbrook Street, Newbury, Berks.

Mr JAMES KIMCHE, F.C.A., and Mr MURRAY J. GOLDBURGH, F.C.A., having been in partnership for some years under the style names of JAMES KIMCHE & Co and M. J. GOLDBURGH & Co, at 15 Red Lion Square, London WC1, announce that the two practices have now been merged. The new firm now practises under the style name of KIMCHE, GOLDBURGH & Co, Chartered Accountants, at 15 Red Lion Square, London WC1. At the same time, an association has been formed with HARRISON, SON, HILL & Co, Chartered Accountants, of 52 Gloucester Place, London W1, and one of their partners, Mr MARTIN PETERS, F.C.A., has been admitted to the partnership of KIMCHE, GOLDBURGH & Co.

MESSRS PAYNE, STONE, FRASER & Co, Chartered Accountants, of 17 Bedford Row, London WC1, announce that as from November 30th, Mr EDWARD J. STONE, F.C.A., has retired from active partnership (after over forty years as a partner) but will continue his connection with the firm on a consultative basis. They also announce that Mr PHILIP W. PAYNE, F.C.A., whose health has been indifferent for many years past, has found it necessary to retire from the partnership as from November 30th. The practice will be continued by the remaining partners and the firm name will be unchanged. As from December 1st it has been decided to operate in association with MESSRS CHARLES BOND & Co, Chartered Accountants, formerly of 2 Bloomsbury Place, London WC1, who will now be practising from 17 Bedford Row. This arrangement has been made with a view to full integration at a later date.

MESSRS SOMERSET, COWPER & Co, Chartered Accountants, of 199 Piccadilly, London W1, and MESSRS JAMES & COWPER, Chartered Accountants, of Newbury and Reading, announce with deep regret the death on December 2nd of their senior partner, Mr CHARLES SOMERSET SWINEY COWPER, F.C.A. The practices will be continued by the remaining partners.

MESSRS STEAD, TAYLOR & STEAD, Chartered Accountants, of Cunard Building, Liverpool 3, and 24 Ludgate Hill, London EC4, announce that as from December 1st, 1964, Mr F. D. M. LOWRY, F.C.A., has been admitted to the partnership.

MESSRS THORNTON & Co, Chartered Accountants, of 54 Castle Street, Liverpool 2, announce that their senior partner, Mr PERCY E. WALLIS, F.C.A., F.T.I.I., retired from the practice on November 30th, but remains associated with the firm as a consultant. On December 1st, Mr JOHN W. GREGGS, A.C.A., who has for some years been a member of the staff, was admitted into partnership. The name of the firm remains unchanged.

MESSRS WALKER, NEWMAN & Co, Chartered Accountants, of 6 Cavendish Square, London W1, announce that as from December 1st, they have taken into partnership Mr ALAN MAURICE CUSHNIR, A.C.A.

Appointments

Mr W. Allen, F.C.A., has been appointed financial director and Mr C. S. Ledger, A.C.A., assistant chief accountant of the Churchill Machine Tool Co Ltd.

Mr John E. Brenan, F.C.A., has been appointed assistant general manager (finance), of British Railways, Eastern Region.

Mr R. B. Brown, C.A., A.C.W.A., financial controller of Lex Garages Ltd, has been appointed a director of the company.

Councillor J. B. Corrin, J.P., F.C.A., has accepted an invitation to join the board of Northampton Town and County Building Society, to fill the vacancy created by the death of Mr E. A. Woods, F.C.A.

Mr Everard N. Goodman, F.C.A., has accepted an invitation to join the board of The Tangoel Rubber Estates Ltd and its subsidiary investment company, Tangoel Investments Ltd.

Mr J. M. Howard, F.C.A., has been appointed a director of Trust Houses Ltd.

Mr J. Fleming, M.B.E., M.COM., A.A.C.C.A., has been appointed secretary of The Federated Superannuation System for Universities.

Mr A. F. Thomas, F.C.A., has been appointed an additional group managing director of Delta Metal Co Ltd.

Mr L. H. J. Thomas, F.A.C.C.A., has been appointed financial treasurer and secretary of Steddall Industrial Products Ltd.

ACCOUNTANT M.P.'s NEW APPOINTMENT

It is interesting to note that Mr William Clark, M.P., F.A.C.C.A., who is the principal sponsor of a Clients' Money (Accounts) Bill presented last week to make special provision for safeguarding clients' money or deposits, has been appointed a Vice-Chairman of the Conservative Party Parliamentary Committee on Finance in the House of Commons. In addition, at the invitation of Sir Alec Douglas-Home, leader of the Opposition, Mr Clark is to speak on Treasury matters from the Opposition's Front Bench in the House.

BEDS, BUCKS AND HERTS BRANCH

The annual dinner of the Beds, Bucks and Herts Branch of the London and District Society of Chartered Accountants is to be held on January 12th, at the Halfway House Hotel, Dunstable, at 7 p.m. for 7.30 p.m. Members wishing to attend the dinner should contact the honorary secretary, Mr R. E. Wright, F.C.A., 11 George Street West, Luton.

NORTH LONDON DISCUSSION GROUP

The next meeting of the North London Discussion Group of Chartered Accountants will be held on Wednesday, December 16th, at 6.15 p.m. for 6.30 p.m., at the Russell Hotel, London WC2. The subject will be 'The British economy' introduced by Mr Edward Holloway, F.R.ECON.S., economist, author and broadcaster.

'BALANCE'

Chartered Accountants' Discussion Group

'Balance', a private discussion group for younger members of The Institute of Chartered Accountants in England and Wales, is holding a dinner at the Royal Aero/Lansdowne Club, 9 Fitzmaurice Place, Berkeley Square, London, on January 19th, at 6.45 for 7.15 p.m. After dinner, Professor W. T. Baxter, B.COM., C.A., Professor of Accounting, University of London, will give a talk on 'Accounting for changing monetary values' which will be followed by a general discussion.

Tickets to attend the dinner are 22*s* 6*d* each (excluding wines), and readers interested in attending should notify the honorary secretary, Mr D. J. V. Endicott, 609 Keyes House, Dolphin Square, London SW1, within the next two weeks.

Photo: *Eastern Evening News*

Members of the Norwich and District Society of The Association of Certified and Corporate Accountants recently toured the Norwich bottling plant and Wincarnis production centre of Coleman & Co Ltd, the Norwich wine shippers. Afterwards, as shown in our picture, they visited the company's wine cellars where they tasted some of the German and French wines. Second from the right is Mr W. C. J. Greenhill, A.A.C.C.A., President of the Society, and (*third from right*), Mr A. W. Utting, A.A.C.C.A., Secretary of the Society.

THE
ACCOUNTANT

ESTABLISHED 1874

DECEMBER 19TH, 1964 VOL. CLI. NO. 4696

The Recognized Weekly Journal for the Accountancy Profession throughout the World

Greetings

To our many readers at home and abroad, we extend our good wishes for a Happy Christmas and a Bright and Prosperous New Year

CONTENTS

Christmas and Crisis

THERE have been few Christmases within the last fifty years that have not been celebrated in the midst of a crisis of one kind or another. Certainly in 1964 there are many sobering reflections to be made, and Government spokesmen have painted an austere picture of the immediate future of the economy. Unfortunately the style of these artists is highly impressionistic and those who are 'hot for certainties' – whether companies or their advisers – get a very dusty answer when they try to reduce the vague shapes and outlines to a definite pattern. Accountants must wait with what patience they can muster until next April provides some of the answers to their own and their clients' questions; in the present state of uncertainty the 'don't knows' must be in a considerable majority. The one sure thing is that they can look forward to dealing with a host of new problems, and that the Inland Revenue will suffer from some severe administrative headaches.

One point at which accountants and engineers, management and workers must join forces is in accelerating the process of modernization of industry briefly summed up in the word 'automation'. What this really means in terms of human life and happiness still needs a great deal of thinking out. 'Faster, faster' is an empty cry when made in a vacuum, and no crystal ball is needed to see the dangers of automation unless its consequences are realized and planned for. To many people computers appear to possess dark and supernatural powers inspiring alarm and despondency, and some of the claims that have been made for them do not help to dispel these fears. One prediction is that in the world of the future the most intelligent inhabitants will be machines. Sir LEON BAGRIT sounded a more cheerful note in his recent Reith Lectures when he said that 'we have now reached a point where we could be moving into a golden age for the mass of human beings, with adequate food, shelter and amenities and with the opportunity to develop their bodies and their minds to a degree that has never before been possible'.

The reason why we annually celebrate the Feast of Christmas puts all such claims into proper perspective and makes machines, and even 'adequate food, clothing and shelter', strangely irrelevant to the real dilemma of mankind in every age. It reminds us that in themselves machines are soulless and heartless things, and that only in their proper use and control by sentient beings lies the seed of hope for the development of the whole man in every part of the world.

Shadows Over An Incomes Policy

'WE are', declared Mr GEORGE BROWN, Minister for Economic Affairs, during his address to the Labour Party Conference at Brighton last week-end, 'on the brink of a great breakthrough here'. Mr BROWN was referring to the 'declaration of intent' on the basic principles of what he defined as 'a just prices and incomes policy' – not the pay award of 9 per cent to the lower grades of the railway staff announced two days later.

The truth of the matter is that Mr BROWN and his ministerial colleagues charged with managing the economy have, from the outset, pinned their hopes on succeeding where their predecessors failed. To have ensured that incomes would not continually outstrip production in the next few years would have been a signal achievement. It would have formed the basis for a new economic revival.

Whatever the 'declaration of intent' now signed by the employers and labour organizations may suggest, it is all too clear that – as far as wage claims are concerned – organized labour has now got the proverbial bit between its teeth. Virtually the only means of bringing the pay-cost-prices spiral to an end would be a massive dose of deflation. And no-one, least of all in the Labour Party, is prepared to advocate that particular policy. Nevertheless it could be that the latest award to the railwaymen will rank with the disastrous climb-down by the then Minister of Power in regard to the electricity workers' pay claim in 1961 which breached Mr SELWYN LLOYD's 'pay pause'.

Nor is it merely a matter of wage increases for manual workers; white-collar, salaried staff are making steady progress in this respect, as several branches of the Civil Service can now testify. The root cause of the present difficulties is the concept of comparability, i.e., the notion now firmly fixed in the minds of every trade unionist in the land that when one group's wages go up all must go up.

Mr BROWN, in his Brighton address, conceded that the stage following the signing of the declaration of intent 'will be much harder even than the first has been'. This is patently true, for however much the signatories may agree on principles, there will be considerable – if not irreconcilable – differences of opinion as to how these principles can be put into practice. In his recent speeches, that outspoken opportunist, Mr ENOCH POWELL, has gone so far as to assert that an incomes policy is 'dangerous nonsense' for which contention he has been criticized by his former colleague, Mr IAIN MACLEOD. Where Mr POWELL goes astray is not in his emphasis on the virtual unworkability of an incomes policy in a free economy, but in his failure either to put forward a policy acceptable to the average member of society, or at least in helping to create a climate of opinion in which some relief, however temporary, from the present wage-cost spiral could be obtained.

As Mr SAMUEL BRITTAN in his recent survey, *The Treasury under the Tories, 1951–64* (Pelican Books, 6s net) points out, the worst defect in the Conservative administration's economic policy was its return to the policy of industrial appeasement when in 1964 the public sector played a leading role in the inflationary breakthrough and postmen, electricity workers and busmen all received increases in excess of the 'guiding light'. Since then, under the Labour Government, the story has continued with the dockers and, this week, the railway workers, taking further steps along the path to inflation. It is all very well for Mr BROWN to talk of 'just prices' in connection with an incomes policy, but for the rail commuter – to take only one of the many obvious examples – which comes first, the chicken or the egg?

The implications of these developments are a good deal more serious than is generally recognized. Fares and other costs will rise and as the cost-of-living index is pushed ever higher, so other sections of the working population will seek compensatory increases. To the extent that British costs of production are rising more rapidly than those overseas, the long overdue improvement in the balance of payments will be deferred. Nobody can still believe that time is on Britain's side in this particular matter.

Balance Sheets as Acknowledgements of Debts

by W. H. D. WINDER, M.A., LL.M.

SOME decisions of the Courts support the view that signatures on companies' balance sheets may in certain circumstances operate as acknowledgements of liability to creditors indicated therein. The practical result is that the right to enforce payment of a debt so acknowledged may not be time-barred under the Limitation Act, 1939. If the normal period of limitation of six years has expired before the date of the acknowledgement, the right of action to recover the debt from the company is deemed to have accrued on, and not before, the date of the acknowledgement. The six years will run from then.

Until the year 1928 no question was ever raised in the Courts that balance sheets could amount to acknowledgements of liability. The difficult questions are: under what circumstances and to which date do they relate, if they can be statutory acknowledgements at all? The most important decision is that of the Court of Appeal in *Jones v. Bellgrove Properties Ltd* ([1949] 2 K.B. 700). It was there decided that the signatures on a balance sheet did amount to an acknowledgement, thus rendering the company liable to be sued successfully without being able to plead the statute of limitations as a defence. It was argued in vain for the company that a public company must issue a balance sheet, year by year, showing its debts and that if the decision of the High Court were upheld (as it was) such a company can never plead the statute against a shareholder creditor.

This decision has not always been warmly supported in the textbooks on company law and now the Judicial Committee of the Privy Council has given it only a very qualified approval in *Consolidated Agencies Ltd v. Bertram Ltd* ([1964] 3 W.L.R. 671). It was considered to be 'rightly decided on its facts', but in their lordships' view

> 'it would not be right to suggest that it can be used as authority for the view that a signature on a balance sheet is in all circumstances an acknowledgement of an existing liability, within the meaning of section 23 (4) of the Limitation Act, 1939.
>
> 'Nor is it possible to suggest that it is an authority for the view that the signature on the balance sheet is an effective acknowledgement within the Act of 1939 of the existence of the debt at the date of signature. No question arose in *Jones v. Bellgrove Properties Ltd* as to the precise date to which the acknowledgement related.'

'To Sundry Creditors': Old Debt Included

For the first time it was held in the case of *In re Atlantic & Pacific Fibre Importing & Manufacturing Co Ltd* ([1928] Ch. 836) that the issue of balance sheets constituted a sufficient acknowledgement of the company's indebtedness to the debenture-holders. As the debentures were documents under seal, the relevant limitation was contained in section 5 of the Civil Procedure Act, 1833, and as this Act did not require that acknowledgement should be given to the creditor or to imply a fresh promise to pay, the judge held that the balance sheets were sufficient acknowledgement. No question of the date of acknowledgement was raised. This decision was followed in *Jones v. Bellgrove Properties Ltd.*

There a balance sheet presented to the shareholders at an annual general meeting of a limited company signed by chartered accountants, the agents of the company, and by two directors, contained the statement: 'To sundry creditors, £7,638 6*s* 10*d*.' The plaintiff creditor attended that meeting as a shareholder. The company owed him £1,807, the balance of moneys lent to it by him. This debt did not accrue within six years of an action brought by the plaintiff against the company to recover the debt but the annual general meeting was held within that period. At the hearing of the action a witness from the firm of chartered accountants which had signed the balance sheet testified that the debt of £1,807 owed by the company to the plaintiff was included in the sum of £7,638 8*s* 10*d* stated in the balance sheet to be due to sundry creditors.

It was held that the balance sheet contained an acknowledgement to the plaintiff, in writing signed by the agents of the company, that the debt at the date of the annual general meeting remained unpaid and due to the plaintiff. Accordingly, by

virtue of sections 23 and 24 of the Limitation Act, 1939, the debt was recoverable.

Only one member of the Court of Appeal gave a judgment, the other two agreeing with it. Lord Goddard, C.J., said:

> 'The case may appear to have some importance as affecting the power of companies to rely on the provisions of the Limitation Act, 1939; but I wish to make it clear that our decision is based on the special facts of this case.'

His conclusion was as follows:

> 'I can see no reason why a balance sheet should not contain a good acknowledgement within the meaning of the Act. The acknowledgement was only of a sum due to a number of unnamed persons; but the plaintiff established by evidence that he was one of the sundry creditors and that his debt of £1,807 was included in the total sum acknowledged to be due to those creditors.'

Signing After the Balance Sheet Year

The trial judge had taken as effective the date of the annual general meeting for the reason that this was the date when the liability was acknowledged. In the Court of Appeal this date was accepted without question. 'So regarded', said the Judicial Committee in *Consolidated Agencies Ltd v. Bertram Ltd*, 'the case is therefore not inconsistent with the principle that the acknowledgement must be of an existing liability'. In another case, *Ledingham v. Bermejo Estancia Co Ltd* ([1947] 1 All E.R. 749), in which there was a question of a signature on a balance sheet, the question was never raised whether the acknowledgement was of an existing liability.

The Judicial Committee was dealing with a case from Tanganyika where the Indian Limitation Act was operative but the difference in wording between that Act and the English Limitation Act did not affect the legal principles involved. In company balance sheets there was the general item 'Loans'. There was evidence, which was accepted by the trial judge, to the effect that the loans to the plaintiff were included in this general item. This finding was not challenged in the Court of Appeal for Eastern Africa or before the Judicial Committee. There was also evidence from which the judge fixed the approximate date when the directors signed the respective balances. In each case they were signed many months after the end of the year to which the balance sheet related.

The trial judge was held to be right in deciding that the balance sheets were no more than acknowledgements of past liability and as such not sufficient compliance with the Act. The claims were therefore time-barred. The signatures were affixed too late to make time run again.

'Whether the balance sheets amount to acknowledgement of an existing liability' was a vital question for the Judicial Committee.

> 'In each case the balance sheet was signed many months after the end of the year to which the balance sheet related and the acknowledgement was therefore not of an existing liability but of a past liability as at the date to which the balance sheet was made up . . . the directors' signature on the balance sheets did not refer to a liability at the date of signature but to a liability which existed when the balance sheet was made up. It would be quite unreal to treat the liability shown as existing at the date of signature, as it might have changed and had in the case of one balance sheet been reduced by the time of signature.'

For example, in the balance sheet for the year to December 31st, 1954, 'Loans' were shown as Shs. 412,385/- which included the loan to the defendants: but by the time the balance sheet was signed between October 19th and 27th, 1956, the liability on account of loans had already been reduced by Shs. 135,000/- as shown by the balance sheet for the year ending December 31st, 1955, and in fact the defendant had paid the plaintiffs Shs. 15,000/- in respect of the account during the year 1955.

It is clear from the judgment of the three members of the Judicial Committee of the Privy Council in the recent case that they regarded the authority of the Court of Appeal decision in *Jones v. Bellgrove Properties Ltd* as somewhat uncertain.

> 'It may well be', said Lord Evershed, speaking for the rest of the Board (Lord Guest and Lord Upjohn), 'since the decision in the *Atlantic Pacific Fibre* case that balance sheets could in certain circumstances amount to acknowledgements of liability, that it has been assumed that the signature on a balance sheet speaks as from the date of the balance sheet, but the question has never been properly considered whether a signature on a balance sheet, which must of necessity be made some time after the date to which the balance sheet has been made up, can amount to an acknowledgement of an existing liability.'

Only a tentative conclusion was advanced by Lord Evershed:

> 'There may be cases where it would be proper to assume that the liability persisted up to the date of signature which would then be an acknowledgement of an existing liability, though their lordships venture to think that, if the effect of the English Limitation Act is the same as that of the Indian

Act, some further consideration may have to be given to the general question whether and in what circumstances balance sheets may operate as acknowledgements of debts comprehended therein. In any case their lordships find it difficult to see in the cases cited any justification for the acknowledgement, consisting of the signature of the balance sheets, being taken to be of the continued existence, at the date of the signature, of the debt stated in the balance sheet.'

In view of these serious judicial doubts it is to be hoped that the Court of Appeal will have an early opportunity to reconsider the whole question. It is of considerable practical importance to companies, as was pointed out in Gerald Gardiner K.C.'s argument for the company in 1949.

Directors who are Creditors

The position of director-creditors who sign a balance sheet, has, in any event, to be viewed with reserve. In the case of *In re Coliseum (Barrow) Ltd* ([1930] 2 Ch. 44) it was held that the signatures on the balance sheet containing a note of fees due to directors were not an acknowledgement of liability, as the directors could not authorize the payment of fees to themselves. (Again, in this case, no question arose as to the date to which the acknowledgement related.)

This ruling was applied in 1958 in *In re Transplanters (Holding Company) Ltd* ([1958] 1 W.L.R. 822). The proof of a debt to the applicant, one of two directors of a company in compulsory liquidation, was rejected by the liquidator on the ground that it was statute barred at the commencement of the winding-up. Mr Justice Wynn-Parry held that as the balance sheets were signed by the applicant (whose signature was necessary for their validity) and as he himself was interested in the debt, they could not constitute an acknowledgement for the purpose of sections 23 and 24 of the Limitation Act, 1939. The signature of the company auditors was not sufficient either to revive the director's debt as the auditors were not (in the absence of special contract) agents of the company, and their normal certificate as to the correctness of the balance sheet under section 162 (1) of the Companies Act, 1948, could not therefore constitute an acknowledgement by agents within the meaning of section 24 of the Limitation Act, 1939.

Annuities

by AN INSURANCE CORRESPONDENT

IN certain circumstances annuities have much to offer a private individual. In the first place there is the aspect that the person concerned may live longer than is anticipated by the insurance company, and thus make a profit from longevity. In fact, annuitants as a whole have longer expectation of life than the public at large, and insurance companies base their calculations on this. Another point, of course, is that the capital element of many annuities is not subject to income tax, although the interest element (i.e. the remainder) is subject to full income tax on the basis of it being unearned income.

In each case the capital element of an annuity is laid down by the Inland Revenue. The result is that whenever there are fluctuations in annuity rates (as happens quite frequently), only the interest element is increased or reduced. Incidentally, one of the reasons for such wide variations in the yields quoted by insurance companies is simply that some offices wish to attract annuity business, whereas the investment policy of others is to refrain from doing so on a particularly large scale. Since the majority of large annuities are purchased on professional advice, at any given time the bulk of the annuity business will be written by no more than a few offices.

Incidentally, following the Finance Act, 1962, at the end of August in that year the Government ceased to issue annuities, although those in existence remained in force. The main reason for this withdrawal from the field, leaving it virtually to the insurance offices, was simply that there had been a diminishing demand due to the somewhat poor terms offered, compared with those available from the insurance offices; for the yield on a Government annuity was computed on the average price of 2½ per cent Consols. Shortly before they ceased to be issued, the yield for a man of 65 from a Government annuity was about £10 6*s* per cent, whereas many life offices were prepared to offer £11 5*s* per cent or more.

Thinking in terms of favourable yields, a point which is not always appreciated is that some life offices quote special terms for anyone who can prove that he or she has an impaired life. Nevertheless, an application for special treatment of this kind must be supported by the best medical

evidence available. For instance, in the case of certain heart impairments, it is likely that the insurance office would call for an electro-cardiograph, and the chief medical officer of the company would make his report on the facts thus presented to him.

Whereas mention has been made that in many cases the capital element of an annuity is free of tax, there are a number of exceptions where no tax relief at all is allowed in respect of the payments.

For instance, this exemption does not apply in the case of an annuity purchased under, or for the purpose of, or in connection with, a super-annuation scheme or arrangement where either an employee has contributed, or some income tax relief has been given to an employee on contributions made by him. The principle, generally, is that if tax relief is allowed on the contributions, the benefits are treated in the same way as earned income.

This subject, incidentally, brings up another question in relation to annuities. On retirement, a man may often decide to commute part of his pension and to purchase an annuity with the proceeds. Due to the exemption from tax of the capital element, this may well prove more profitable than accepting the pension in its normal form. The point to bear in mind in this connection is that, under an approved superannuation scheme, the interest earned on the fund is not subject to income tax and tax relief is allowed in full on the annual contributions paid. As a result of this concession, no part of the pension can be commuted; it must be paid as a pension as arranged, although it should be added that the trustees may have the right to 'uplift' the cash value of the pension to obtain better rates elsewhere.

No Tax Concession

On the other hand, a pension scheme which is not an approved superannuation fund does not qualify for the tax concession. This, by the way, includes 'top-hat' policies; any pensions arranged on this basis may be commuted. Nevertheless, it should be borne in mind that, broadly speaking, only up to *one-quarter* of an employee's benefits from all retirement schemes to which an employer has contributed (apart from the National Insurance scheme) may be commuted by an employee on retirement.

In view of this, a fairly obvious arrangement is for three-quarters of a pension to be provided by an approved superannuation fund. Due to the tax relief on the interest and contributions, this should secure a better rate of annuity than could be achieved by a scheme which did not qualify for the concession. If, however, the remaining quarter of the total pension is secured by means of a scheme which is not an approved super-annuation fund (such as a 'top-hat' policy), where the employer pays the whole premium the entire policy can be commuted for cash on retirement – which can be used to purchase an immediate annuity.

Thinking again of annuities when the capital element is not free of tax, another case is an annuity purchased by any person in recognition of another's services (or past services) in any office or employment. The same principle applies in the case of a retirement annuity purchased under, or for the purposes of, a trust scheme approved under section 22 of the Finance Act, 1956.

Estate Duty

Finally, the exemption of the capital element does not usually apply to an annuity purchased in pursuance of any direction in a will, or by virtue of a will or settlement. A case where this may occur is that of a man who is anxious that an adequate income shall be left for his wife on his death. He may direct in his will that a certain amount of the capital should be used to purchase an annuity. This, however, is likely to be un-desirable, for not only will estate duty be paid on the sum before the annuity is purchased, but also the annuity will be taxable in full.

Probably the best arrangement in these circumstances would be for the man to take out a whole-life policy for his wife absolutely under the terms of the Married Women's Property Act, drawing on capital to pay the premiums. On his death this policy would form a separate estate, with the result that comparatively little estate duty would be payable. Thus the bulk of the policy moneys could be used to purchase an immediate annuity. Provided this was not a direction in the will, the capital element of the annuity would not be subject to tax.

An alternative arrangement for a man in this position would be to hand over a capital sum to his wife during his lifetime. Probably it would be necessary to effect a policy to cover any estate duty payable on it should he die within five years. On his death his wife would be free to purchase an annuity.

Certainly this could be a sensible form of arrangement for a widow, especially if she had no

dependants; for although rates fluctuate, at present it can be taken that for a woman aged 70, it is likely to be possible to obtain a return slightly in excess of £11 per cent. Of this, £7 4*s* 9*d* represents the capital element and thus would be free of tax. At the age of 75, the return for a woman is likely to be around £13 10*s* per cent and in this case the capital element would be as high as £9 8*s* 3*d* per cent.

On the surface, it might appear sensible for a man on retiring to purchase an annuity which continues during the joint lifetime of himself and his wife and during the lifetime of the survivor. In practice, however, comparatively few contracts are arranged on this basis. This is mainly because the yields obtained appear to be poor. In fact, they are actuarially correct. The problem is that usually a wife is a few years younger than her husband, added to which is the fact that she has a longer life expectancy.

Reversionary Annuity

Some men feel it would be sensible to purchase a reversionary annuity at retirement (perhaps from the capital obtained by commuting a pension), so as to provide a guaranteed income for their wives after their own death. Here, again, the yield is calculated on the ages of man and wife, and, for the reasons already mentioned, may not appear to be very high.

There are two other disadvantages to this particular form of arrangement. In the first place, should the man who purchased the annuity be predeceased by his wife, there would be no return on the annuity at all and he would have lost the capital completely. In the circumstances, it would be small comfort to be told that this possibility was taken into account when the rates were calculated. The second drawback to this particular arrangement is that the wife's health could deteriorate seriously after her husband's retirement, with the result that she might receive comparatively few payments from the annuity.

The position at the moment is that the great majority of annuities are for fixed sums. In no way are they linked directly to unit trusts or stocks and shares. There seems little doubt that one of the main reasons for this is that unlike a life policy, the capital used to purchase an annuity is in the hands of an insurance company for a comparatively short period. Added to this is the fact that it is constantly being diminished as the payments are made to the annuitant.

Whereas that argument applies chiefly to immediate annuities, there are various schemes available for deferred annuities which are linked to equities and which have been designed for anyone who is self-employed or who is in non-pensionable employment. For instance, under one scheme, single premiums are carried to a special fund. Normally this is invested almost entirely in ordinary shares. This, therefore, can be considered to be a possible 'hedge' against inflation although it must be stressed that there is no guaranteed benefit provided by this form of annuity.

Another form of deferred annuity is that based on a particular unit trust. In this case, premiums are paid as a succession of single payments. It is laid down, however, that the minimum which will be accepted at any one time is £200 and the maximum is £1,125 or that permitted under the Finance Act, 1956, whichever is lower.

The way in which this particular scheme operates is that if a man aged 40 pays a premium which is equivalent in price to the cost of one hundred of the units, this will earn a pension, paid quarterly in advance at the age of 60, amounting to the equivalent price at the time of 3·05 units. If, a year later, another premium equal to one hundred units is paid, this will increase the quarterly pension by the equivalent of 2·95 units. From this it can be seen that the benefits are geared solely to the market price of the units.

Amount of Pension

Generally speaking, however, most deferred annuities for the self-employed under the Finance Act, 1956, are arranged so that, although there is no fixed annual premium, it is known how much pension at a certain age is being bought with any given premium. It is not necessary, however, to decide at the outset the date on which the annuity will become payable. Provided it will be any time between the annuitant's sixtieth and seventieth birthdays, he may choose the exact date – and may even continue to work while the pension is being paid.

Premiums paid towards this type of annuity (by those self-employed or in non-pensionable employment) are free of income tax and surtax. Nevertheless, there are various limits so far as this tax relief is concerned. For instance, for anyone born in 1916 or later, the annual amount which is eligible for relief is 10 per cent of net relevant income, or £750 if this should be lower. Rather higher figures, on a sliding scale, are allowed for those born before 1916. For example, for anyone born in 1907 or earlier the premium limit eligible for relief of tax is 15 per cent or £1,125 whichever is the lower.

The Corporation Tax—III

CONTRIBUTED

THE eagerly awaited 'statement of substance' from the Chancellor of the Exchequer has turned out to be a poor wraith of a thing. Poor, that is, for the taxpayer, but seemingly rich in promise for the Revenue. Naïvely intended to remove uncertainty and restore confidence, it was followed the next day (with the assistance of a directive to banks and insurance companies to observe special priorities in lending policies) by the sharpest fall in share values the Stock Exchange has known for two and a half years. Where there was damaging uncertainty before, there is now almost unrelieved gloom as well. In some cases the position under the Chancellor's statement is less favourable than was previously indicated; in others the worst fears have been confirmed; overall, there is clear evidence of intention (for reasons which are wholly unconvincing) to slice the tax reliefs of companies over a wide field. Added to which, there is the confusion of the capital gains tax.

The Chancellor indicates that the House of Commons must not expect him to give further particulars pending the examination of representations from interested bodies and the formulation of detailed proposals. In April next some companies will start to become liable to corporation tax, but the rate of tax appropriate to income up to April 1966 will not be fixed until the Budget of April 1966. Meanwhile, results of the latest trade inquiry by the Association of British Chambers of Commerce show:

> 'a considerable decline in confidence both about the general business situation and about exports . . . in the coming four months a significant decline in the tempo of business is expected'.

Against this background the Chancellor's statement seems an odd prescription for confidence and growth. But something can be made of the assurances given, and some clues as to future intentions are to be found by 'reading between the lines'. These will now be considered.

Accounts Basis

The statement says that corporation tax will be charged at a flat rate on the total income of companies for each *accounting* period, and that the first charge of tax will be on the income of the accounting period following that which is the basis of income tax liability for 1965–66. The last charge to income tax on trading profits and other sources of income will be for 1965–66, while the last charge to profits tax will, in relation to a particular source of income, correspond to the last charge for income tax; so that in the case of trading profits the last charge will be on the profits of the period that formed the basis for the 1965–66 income tax assessment. For new companies the tax will be payable in one sum nine months after the end of the accounting period, but for existing companies which keep the same accounting date the tax will be payable in one sum on January 1st, in the financial year following that in which the accounting period ended.

This scheme of things corresponds closely with draft clauses 1–3 in Appendix A to the White Paper, *A Scheme for an Accounts Basis for Income Tax on Company Profits*, previously referred to. Clause 1 provides that assessments on companies will be made for *accounting periods* instead of years of assessment, and that the rules of computation applicable to an assessment made on the profits of an accounting period will be those applicable to the income tax year in which the period ends.

Clause 2 defines accounting periods. Normally the accounting periods of a trade will be successive periods of twelve months, the first of which begins with the date on which the company commenced to trade. If accounts are made up for a period of less than twelve months, that period will be an accounting period, but if the accounts are made up for a period of more than twelve months, the first twelve months of that period will constitute a separate accounting period. An accounting period comes to an end when a company ceases to trade, and if the company commences to trade again a new accounting period begins.

Clause 3 contains special provisions for the assessment of existing companies. The first accounting period begins at the end of the basis period for the last assessment on the old basis, but thereafter the rules laid down in clause 2 will apply. It was felt that existing companies could not reasonably be required to pay tax on the first twelve months' profits falling under the new scheme until twelve months after the date on which tax on the previous twelve months' profits was payable. Accordingly, under clause 3, where

an existing company continues to make up its accounts for twelve-monthly periods, the due date for payment will be January 1st. If a company makes up its accounts for a nine months' period, the due date will be advanced three months to October 1st. But if it makes up its accounts for fifteen months, the first twelve months will be a separate accounting period and tax will be payable on the profits on January 1st, while the remaining three months will constitute a separate accounting period and tax will be payable in respect of that period three months later on April 1st.

While industry has rejected earlier schemes for the amalgamation of profits tax and income tax on companies into a single corporation tax, it has welcomed, in principle, an accounts basis for company taxation. It could well be, therefore, that the ten draft clauses and two schedules in the White Paper will, so far as relevant to corporation tax, find a place in the new Finance Bill.

'Commencement and Cessation'

Under the present system of company taxation the assessment for the first year (normally a broken year) is on the actual profits of that year. The assessment for the second year is on the actual profits of the first twelve months of trading, but the taxpayer can elect to have the assessments for both second and third years made on the actual profits of those years respectively. For the last year (normally also a broken year) the assessment is again on the actual profits of the year, but the assessments for the two previous years may be revised so that the liability is on the actual profits of those years respectively.

The White Paper says the effect of this system is that the profits of some periods are assessed two or more times, while the profits of other periods do not come into assessment at all. A similar result may arise from a change in the date to which a trader makes up his accounts, and over the whole life of a business it will rarely happen that the total assessments equal the total profits. This may cause hardship to particular taxpayers but offer opportunities for avoidance to others.

The main object of the scheme for an accounts basis for company taxation was therefore to get rid of the anomalies (a phrase actually adopted by the Chancellor in his Budget speech) created by the preceding year basis and the commencement and cessation provisions of the income tax code, and to secure that in future, over the life of a company, tax would be paid once and once only on the whole of the profits. Few will quarrel with this object, and it could again be that the abolition of the 'commencement and cessation' provisions, as they are known today, will follow as a consequence of the adoption of a corporation tax.

If this should prove to be so, there is a point to be watched. When an existing company ceases to trade there will, under the present law, normally be a period of twelve months or more on the profits of which it will not pay tax, corresponding to the period on the profits of which it will have paid tax more than once at the commencement of the trade. The White Paper says that this benefit cannot fairly be taken away under the new scheme without appropriate relief, and clause 4 therefore provides for an allowance to be made in such circumstances.

Investment Trusts and Insurance Companies

As for the rest of the Chancellor's statement, there is not a spark of encouragement anywhere, except for debenture-holders, charities and superannuation funds. A deduction, it is said, will be given for normal interest (including normal debenture interest) and other charges paid in the accounting period, so that debenture-holders have no need to worry. Charities and superannuation funds will not themselves be chargeable to corporation tax and they will continue to be entitled to exemption from income tax. But they will, of course, suffer from any ill effects the corporation tax has on dividend payments generally.

Press reports on November 26th – the 'leaked' information – said that no question of double taxation would arise from corporation tax, so that the income of investment trusts, insurance companies and other institutions would not be taxed twice over. So far as investment trusts and unit trusts are concerned, this has proved to be too optimistic. What the statement says is this:

> 'Provisions will be required as to the treatment of dividends paid by one United Kingdom company to another, and these require further consideration. But I can give an assurance now to investment trust companies and unit trusts that such dividends will not be charged to corporation tax in their hands *if they are passed on to their shareholders in the form of dividends.*'

In the Budget speech, corporation tax was to 'provide an incentive to dynamic companies to develop apace through the use of their ploughed back profits'. Evidently investment trusts and

unit trusts are not to be encouraged to develop, and the average retention of 20 per cent of income by investment trusts will, in fact, be charged to corporation tax twice over.

The expenses of managing an investment trust are not claimed as a deduction under section 137 of the Income Tax Act, 1952, as in the case of a trading company; but management expenses (other than brokerage and stamp duty) are allowed under section 425 of the Act against income tax deducted from dividends at source. It could be that in future these expenses will be treated as a deduction in computing liability to corporation tax on undistributed income, so as to follow the general pattern of setting off all reliefs only against the corporation tax to which a company is liable. At first blush, therefore, an investment company which is now paying a very conservative dividend will be encouraged to pay more to save corporation tax, but if it can only set off its management expenses against its corporation tax liability it will have to balance the two factors.

Another, and possibly bigger, blow for investment trusts is the proposed treatment of overseas income in the statement. It says:

> 'It is a natural corollary of the separation of company taxation from personal taxation that a company which enjoys overseas income that has suffered overseas tax should receive credit for overseas tax only against the corporation tax to which it is liable. I realize that this will create special problems for certain companies and I am considering whether, whilst adhering to the principle set out above, these problems could be eased by some transitional arrangements.'

The average investment trust derives some 34 per cent of its income from overseas, but in some cases the proportion is as high as 50 per cent. If the Chancellor's intention becomes law, it could have a serious effect on trusts with big dollar investments and effectively reduce overseas income by some 25–30 per cent, which would be equivalent to a drop of 10 per cent in total income. It would be small comfort indeed if there were some transitional relief over the first two or three years; but this question of overseas tax will be more fully dealt with in the next issue.

The statement (so far as it relates to corporation tax) makes no mention of insurance companies, save to say that 'special provisions may be necessary for special types of corporations such as, for example, life assurance companies'. This again provides no solid basis for investment, and one naturally wonders whether some line will be drawn between proprietary companies and mutual companies.

Then there are the composite companies which are, in effect, the largest of all investment companies and pay their dividends out of investment income. In recent years underwriting losses, particularly in the fire and accident sections, have often left the dividend uncovered by investment income; but assuming that underwriting profits can again be earned, dividend cover from investment income, though much lower than in years past, still ranges from 1·1 times in the case of Sun Alliance to 2·1 times in the case of Northern & Employers, with average cover of about 1·5 times. In this happy event, will the whole of investment income (no longer eaten into by losses) be charged to corporation tax or only the part not distributed, or will there be special treatment for other income as well as for income from life funds, bearing in mind that the life business of some composite companies far exceeds that of the specialist companies?

Dividends from Reserves

Again, assume that the composite companies go on making underwriting losses after the corporation tax becomes operative, and to pay their dividends have to draw on reserves which have already borne income tax and profits tax under the present system. Will they under the new system have to deduct tax from the dividend on that portion of it which is referable to the draft on reserves and pay it over to the Revenue? Or will they be able, if they choose, to pay all their dividends out of accumulated reserves, so long as they last, without further deduction of income tax, and each year build up equal or greater reserves out of current income? And will any trading company be able to do the same, at the cost to it, at all events, of only corporation tax on its trading profits?

The statement says that because the new scheme will tax undistributed profits at a lower rate than the present scheme, there will be special provisions to ensure that certain types of companies, including the so-called 'one-man' companies, do not retain profits for the purpose of enabling shareholders to avoid personal taxation. This seems to presage some new form of 'surtax directions' machinery, and this, too, will be discussed in the next issue.

(To be continued.)

Promoting Company Goodwill

by JACK SAMMONS, A.A.C.C.A., A.C.W.A.
Internal Audit Manager, Sterling-Winthrop Group Ltd

AT this season of goodwill it is perhaps appropriate for internal auditors and accountants to give some thought to the goodwill of their companies and to appraise this important aspect of their organization.

Public relations experts say that no business can exist without goodwill, by which they mean, of course, the attitudes of customers and clients, the community, shareholders and the staff to the business. To discover precisely the esteem in which an organization is held in the eyes of its public may well require a professional survey by a team of research workers; but there is quite a lot the accountant or auditor can do by asking questions and exerting influence in the appropriate quarters. He can play, in fact, quite a vital role in ensuring that the value of this important though intangible asset is not overlooked, albeit that it may not be valued in the books.

Customer Relations

It might be said that personal attitudes are immaterial to the success of the business, but unless its image – or perhaps 'reputation' is a better term – is right in the eyes of these people, then the success of the concern may not be all that it could be. If clients or customers experience poor service, scant courtesy, or harsh treatment over the telephone from accounting staff, then the goodwill of the company is damaged. If the morale of the staff is low, this is reflected in their outward attitudes and contacts; and let it be said that this applies as much outside the office as during business hours when they are dealing directly with customers or suppliers.

Some accountants will be able to influence the 'image' the company presents through its letter-heads, advertisements for staff and the outward appearance of its products and offices, but it is in the fields of customer and staff relations that they can be most effective.

So far as the internal auditor and industrial accountant is concerned a watch on the letters being sent to customers is advisable, particularly where complaints are dealt with and the administration department has been guilty of some clerical blunder causing, for example, incorrect delivery or errors on an invoice. Unless customers' orders, inquiries and complaints are handled promptly and effectively an image of inefficiency is engendered. One test of an outgoing business letter is to visualize the impression it will have on the recipient; will he view it favourably, unfavourably or indifferently? With very little effort a letter can be made to sound friendly, and complaints from outside can be handled sympathetically – whether or not they are fully justified.

Letters to customers with overdue accounts need particular attention, and before these are sent the item should be carefully checked to ensure that the amount is, in fact, outstanding and not the result of some error or dispute. The man who is dunned for something he does not owe is not going to view the company at all favourably.

The American business man, in both large or small concerns, places considerable importance on the value of community relations. Many firms in Britain and elsewhere, too, have considerable influence on local amenities, but these are the exception. The accountant can sometimes help in this field by encouraging business purchases from local concerns, or by supporting local charities etc.; and while it is not suggested that such acts be motivated from self-interest they are undoubtedly noted and appreciated, and redound to the company's goodwill.

Staff Relations

The written word, too, plays a large part in establishing goodwill, and the employees of an organization are the first of a firm's many publics. This public inside the concern should know and appreciate how the business is conducted, how otherwise can the public outside be expected to know? To give of their best, staff need to be informed of business progress and how they fit into the organization. They need to have an appreciation of the importance of their work to the success of the business, and to be kept in touch with what is going on. Co-operation in management decisions or policies is more likely to be forthcoming when an employee understands the reasons for them.

Not many companies provide their employees with an annual report of the results of the

business in which they are engaged (although there are a few notable exceptions to this), yet they are vital to its progress. A simple financial statement should be possible, whether this is in the 'house journal' or in a personal letter from the management.

There are other ways of boosting the goodwill of staff. A good induction scheme on engagement, office training, staff development plans, pension funds, profit sharing and the provision of amenities for social gatherings make valuable contributions.

The Shareholders' Interest

Accountants of public companies responsible for preparing annual accounts to shareholders, can develop the loyalty of shareholders by presenting their companies as efficient, well-organized, and sound undertakings. How far, beyond this, they can influence the goodwill of their businesses depends largely on local circumstances. The Americans place great store in providing clocks, flag poles, public drinking fountains, Christmas trees and other features and amenities to draw public attention to their businesses. While we in Britain may not be so ready with the display of flamboyant gimmicks, there are other rather more restrained, but often none the less effective ways of 'showing the flag'. An 'open day', for example, is a possibility, when the customers, shareholders, or even the general public are invited in; or a Christmas party for local children will add to the company's prestige. Such events are newsworthy to the local press and community, and the firm's 'stock' accordingly gets a boost.

The audit of a company's goodwill, in the writer's view, is a most necessary exercises and there is no reason why auditors and accountants should not use their own particular skills to see that everything is being done to promote both internal and external goodwill in their companies. This valuable asset requires protection as much as the more tangible ones.

A Christmas Weather Report

The first letter of each answer to the following general knowledge questions combines to form, without rearrangement, the opening lines of a play by Shakespeare. Where the answer is a person's name, the surname (except for royalty and mythological characters) is given first. The solution appears on another page.

1. Who, when weeping for her seven sons and seven daughters killed by Apollo and Artemis, was turned into a column of stone?
2. What is the Japanese art of paper-folding?
3. What artist painted the *Cries of London* series?
4. What is the title of the officiating priest of a Mohammedan mosque?
5. What in heraldry is the word for the colour black?
6. Which American State is known as the Volunteer State?
7. What is the ethical doctrine that pleasure in some form or another is the main objective of human existence?
8. Who reigned as King of England from 1461 to 1483?
9. What word denotes the obtrusive and too frequent use of the first person plural by a writer or speaker?
10. On what island was the hero of Dumas's *Count of Monte Cristo* imprison confined?
11. What architect designed the Marble Arch in London?
12. What English traveller and author, the friend of Byron and Shelley, wrote an autobiography entitled *Recollections of a Younger Son*?
13. What is the misdemeanour of attempting to influence a juror corruptly in reaching his verdict?
14. What French cheese, made from the milk of ewes or goats in the department of Aveyron, resembles Stilton?
15. Who solved the riddle propounded by the Sphinx?
16. What is the art of horse-shoeing?
17. Who is a person who begins to learn late in life?
18. What is the system of succession under which the younger son takes the inheritance?
19. Who is one who supports an autocratic system of government in which persons and parties pass in and out of office by private arrangement and without reference to the wishes of the public?
20. Whom ought a sufferer from odontalgia to consult?
21. A carving in which the design projects above the surface is said to be in relief. What is the term for a carving where the design is sunk below the surface?
22. What English girl won the title of Miss World 1964 last month?

23. What is the capital of Sardinia?
24. What is a person having one-eighth negro blood?
25. What nephew of King Edward VII was executed?
26. What unpleasant wind is to the Italians as the mistral is to the French?
27. What is the term which describes normal sight?
28. What famous Hambledon cricketer and writer on the game was described by Andrew Lang as 'the Herodotus of the early historic period of cricket'?
29. What part of biology deals with the propagation or breeding of domestic animals and plants?
30. Who wrote a long poem beginning:
'Of Man's first disobedience, and the fruit
Of that forbidden tree, whose mortal taste
Brought death into the world, and all our woe,
With loss of Eden'? What is the poem?
31. Who won the Marathon at the 1964 Olympic Games?
32. What Elizabethan dramatist wrote *The Shoemaker's Holiday*?
33. What are the ferments present in the digestive juices which render food soluble and diffusible?
34. What generic name did Thomas Carlyle invent for respectable, unimaginative, middle-class Philistines?
35. In which city is the art gallery known as the Hermitage?
36. What name is given to May 29th in commemoration of the restoration of Charles II?
37. Who became involved in a libel action through accusing Whistler of being an impudent coxcomb who had the effrontery to fling a pot of paint in the eye of the public and ask £200 for the mess?
38. There are only five regular convex solids – the tetrahedron, the hexahedron, the octahedron, the dodecahedron and the – ?
39. To what order of insects do cockroaches, crickets and grasshoppers belong?
40. What is the term in civil law to denote the acquisition of the title or right to property by uninterrupted and undisputed possession for a prescribed term?
41. Who said – 'What two ideas are more inseparable than Beer and Britannia'?
42. What would you be doing during a bout of sternutation?
43. What is the doctrine of the Roman church which defends the absolute supremacy of of the Pope?
44. Who composed the orchestral pieces – *Night on a Bare Mountain* and *Pictures at an Exhibition*?
45. What French philosophical historian wrote *L'Esprit des Lois*, considered to be one of the most influential books of the eighteenth century?
46. What is the term describing produce of the land, such as crops and vegetables, which belongs to the tenant and not to the landlord?
47. What painter was the husband of Helen Fourment?
48. Who founded the House of Urchins in Naples?
49. What colour symbolically denotes inconstancy, heresy, treason and treachery?
50. What in architecture is that part of a building which lies across or in a direction of right angles to, the main axis?
51. What composer wrote the testing piece played before the start of the B.B.C. Home Service programme each morning?
52. Who as punishment for his crimes was bound to a perpetually revolving wheel in hell?
53. On what river is the city of Antwerp situated?
54. Who was Prime Minister when Queen Victoria died in 1901?
55. What tree contains a milky poisonous fluid used for tipping arrows and, in consequence, is used figuratively to suggest a corrupting influence?
56. Of what country is Katmandu the capital?
57. What is the zoological term for animals that produce their young by means of eggs?
58. What Italian word for a bottle or flask is used universally to denote an event which ends in disaster?
59. What is a bridge or whist hand which contains no card above a nine? What are the mathematical odds against being dealt one?
60. In what month of the year is the best and strongest ale reputedly brewed?
61. What British commander in the Crimean war has given his name to a style of coat which has no shoulders, the sleeves extending up to the neck?
62. What was the name used to denote the group of Scottish novelists – S. R. Crockett and J. M. Barrie among them – who took its subjects from humble domestic life?

Two Respectable Accountants

by VERA SNELLING

THE latter part of the eighteenth and the first half of the nineteenth centuries produced a remarkable number of notable mathematicians in this country. The epithet 'respectable' which we frequently find before their names was one generally applied by our forefathers to those whom they considered worthy of their approbation and even admiration. Among them are two men who were near-contemporaries, James Dodson and Benjamin Donn or Donne, both of whom have a place in the annals of accountancy.

The more distinguished of the two is undoubtedly James Dodson, who not only made a large number of contributions to the literature of mathematics and accounting – including *The Accountant or a Method of Book-keeping* – but whose name is prominently associated with the development of life assurance on the principles that we know today, and particularly with the foundation of the Equitable Assurance Society.

The date of his birth is uncertain and few details are available about his early life. Apparently he practised as 'an accomptant and teacher of mathematics' until 1755 when he was elected a Fellow of the Royal Society, and in the same year became Master of the Royal Mathematical School at Christ's Hospital. His descendants seem to have taken a dim view of this position, as his great-grandson, the famous mathematician Augustus de Morgan, recalled that when as a boy he asked who James Dodson was, he was told by one of his aunts, 'We never cry stinking fish'. It took him forty years to discover that this was the only one of his ancestors whose name deserved to be on record.

Early Book on Life Assurance

At the time when Dodson lived the life assurance movement was slowly developing and it was while he was teaching at Christ's Hospital that the idea of founding a new life assurance society came to him. He had himself been refused admission to the Amicable Life Society because he was over 45 years of age, and he felt that there was room for a more equitable and flexible plan. His work entitled *A Mathematical Repository* had provided solutions to a large number of problems bearing on annuities, and the third volume was one of the earliest books to deal expressly with life assurance. There was, however, a great lack of reliable statistics, and annuities were based mainly on the London Bills of Mortality, which were very far from being satisfactory.

It is interesting to note here that the alarm caused by the continual growth of London goes back for many centuries, and the complaints made were very much the same as those heard today. In 1581 the erection of any new buildings was forbidden, and a statute passed in the reign of Elizabeth I contained a similar provision 'because such multitudes could hardly be governed by ordinary justice to serve God and obey her Majesty', and because 'such great multitudes of people in small rooms, being heaped up together and in a sort smothered, with many families of children and servants in one tenement, it must needs follow if any plague or universal sickness come among them it would presently spread through the whole city'. James I said that 'so many people cumbering the city were a general nuisance', but in spite of laws and opposition people continued, as they still do, to flock to the capital.

The Calculation of Annuities

It was not until the second half of the seventeenth century that Edmund Halley, the Astronomer Royal, compiled tables which were of immense benefit to those concerned with life assurance. At that time the town of Breslau was the only place that recorded the ages of people who died, and using these Halley compiled a table of the probabilities of the duration of human life at every age, and developed a sound method of calculating life annuities, based on the rate of mortality during five successive years in Breslau. As time went on it became clear that conditions in London and Breslau were so different that some other basis was needed for the value of a life annuity, and the first attempt to use the London Bills of Mortality was made by James Hodgson in 1747.

Among Dodson's many scientific friends was Abraham De Moivre, a French refugee who had made a special study of the theory of probability and the 'doctrine of chances'. In spite of the fact that Dodson believed that he would get nearer to the true rates by adopting De Moivre's calculations, he seems to have based his own tables on

the London Bills for 1728–50, for the new society he hoped to assist in founding. These, we are told in John Francis's *Annals, Anecdotes and Legends of Life Assurance*, published in 1853, 'produced premiums so high as to be almost prohibitive. He had, for greater security, assumed the probabilities of life in London during a period of twenty years which, including the year 1740, when the mortality was almost that of a plague, rendered such premiums much higher than they ought to have been, even according to the ordinary probabilities of life in London itself. In addition there were certain fantastic extreme premiums for fancied risks: there was "youth hazard", "female hazard", and "occupation hazard"'. Eleven per cent was added to the premiums of officers on half-pay, and of persons licensed to retail beer.

The Actuary's Work

Unfortunately Dodson died in 1757 before he was able to see the fruition of his plans in the formation of the Equitable Society, the first meeting of which took place in 1762. Like many other men learned in the arts and sciences he died poor, and it was not until about fifteen years later that the Society resolved to give £300 to his children as a recompense for the table of lives he had prepared. By that time the Society was well on the way to success, having got over the difficulties of the early years, when its actuaries had been men who knew little or nothing about life assurance. The first was 'a simple accountant' named Mosdell, and no definition of the meaning of 'simple' in this connection is given; the second was Dodson's eldest son who 'possessed the name but not the acquirements of his father', but he only held the post three years; the third 'was sufficiently aware of his own incapacity never to trust to himself'. After 1775 when a capable actuary was appointed the Society's progress began and continued.

The man who was largely responsible for changing the fortunes of the Equitable Society was a Dr Morgan, who had been trained to be a surgeon but showed such aptitude for mathematics that he readily gave up his profession to become an actuary. Under his management the capital increased from a few thousands to many millions. His mathematical attainments, says Mr Francis, were of the highest order; he contributed important papers to scientific publications, and wrote various valuable works on annuities.

His remarks at one meeting are of special interest to the accountancy profession – 'Can anything be more absurd, or betray greater ignorance,' he said, 'than to propose an annual profit and loss account in a concern of this kind, or to regulate the dividend or the call by the success or failure of each year . . . exclusive of the immense labour of such an investigation, the events of one year vary so much from those of another that no general conclusion can be safely deduced from the experience of so short a term'. But this was many years before The Institute of Chartered Accountants in England and Wales was founded.

Dodson's most important book was *The Anti-Logarithmic Canon, being a Table of Numbers consisting of Eleven Places of Figures corresponding to all Logarithms under one hundred thousand, with an Introduction containing a short Account of Logarithms*. This was unique until 1849.

Benjamin Donn

Benjamin Donn, who lived from 1729 to 1798, belonged to a Bideford family, his brother Abraham being described as 'an ingenious mathematician' and his father who was head of a mathematical school was regarded as one of the best teachers of 'arithmetick, navigation and dialing' of his time. Abraham, who suffered from ill health from the age of 14 until his death when he was 28, was deeply interested in astronomy, and left behind him when he died the results of his calculations of the eclipses of the sun, with the transits of Mercury for more than ten years to come, with their delineations. It was left to Benjamin to publish these after his brother died. He himself became a teacher of the 'mathematicks' and natural philosophy on Newtonian principles in Bideford, and later opened a school near Taunton, where he taught with great success many of 'the first ornaments of the sidereal science', amongst whom was Benjamin Bishop, Master of Sir John Cass's School, Aldgate, and George Brown, a noted artist of Norwich. In 1768 he was appointed librarian of the Bristol library. His official duties here were light and he was able to start a mathematical academy and to write a number of books, including *The Accountant: containing essays on bookkeeping by Single and Double Entry; A New Introduction to Mathematics, being Essays on Vulgar and Decimal Arithmetic;* and *The Geometrician, containing Essays on Plane Geometry and Trigonometry*. He also prepared a number of maps from a survey made by himself, and towards the end of his life he was appointed Master of Mechanics to the King.

Weekly Notes

CONSULTANCY PAYMENT NOT EARNED INCOME

A COMMON feature of partnerships in modern times is the agreement whereby a senior partner retires from the firm but remains available as a consultant, often appearing on the firm's letterheading under that title. Naturally it is expected that remuneration paid to the 'consultant', if taxable, will be treated as earned income and thus qualify for earned income relief. A case decided in the High Court on Monday emphasizes the importance of careful drafting of the agreement whereby the partner retires, and becomes a consultant to the firm.

In *Hale v. Shea* the High Court dismissed an appeal by a solicitor from a decision of the Fareham General Commission that sums received by him were not 'earned income', not withstanding that they were paid to him under an agreement whereby, *inter alia*, he was to render advice and assistance as required. Mr Justice Buckley, giving judgment, said (according to *The Times* of December 15th), that the agreement was made in March 1957 between the taxpayer Hale and his partner Mander. The two parties had for several years carried on the profession of solicitors in partnership at Coalville. It was agreed that Hale should retire, and under clause 2 Mander became entitled to all the book debts and effects of the partnership. Under clause 3 Mander indemnified Hale against all claims etc. relating to the partnership. Under clause 4 Mander agreed to pay Hale a quarter of the firm's profits for fifteen years and, in consideration, Hale agreed that he would 'at the request of Mr Mander advise and render such assistance . . .' as Mander should require; and Mander should be at liberty to consult Hale to seek his advice.

The payments were assessed under Case VI of Schedule D but Hale contended that they constituted income from an employment or alternatively were derived from the carrying on of his profession so as to fall within the definition of 'earned income' within section 525 of the Income Tax Act, 1952. The Inland Revenue contended that the payments were not solely for the advice and assistance, but also in consideration of the transfer of assets, and therefore were not earned income. His lordship accepted the Revenue's contentions with regret.

It is always desirable to apportion payments when drawing up agreements of this kind. Failing that, it is usually possible to induce the appeal commissioners to make an apportionment. Whether this was tried in the present case is not apparent from the report.

RAILWAYMEN ACCEPT 9 PER CENT

THE Railways Board and the National Union of Railwaymen this week accepted the award of the Railway Staff National Tribunal for pay increases for railwaymen. The biggest rate of increase goes to railway operatives who will receive 9 per cent; supervisory grades and clerks receive smaller rates of increase. The total award will raise the railways' expenditure by about £22 million a year. The National Union of Railwaymen has already accepted the award and the Associated Society of Locomotive Engineers and Firemen is expected to accept it in the middle of this week. The Transport Salaried Staffs Association does not meet until this issue will have gone to press.

The Union asked for 13 per cent on what is often called the Guillebaud principle that railway wages should be related to rates paid for similar work in other industries. The Railway Board challenged both the principle and the arithmetic put forward by the union, saying that the figure on the Guillebaud principle should be 9·4 per cent. The tribunal has awarded 9 per cent and it will doubtless be said that it has reinforced the Guillebaud principle.

If the award obtains the unions' genuine co-operation on such matters as single manning of locomotives and delivery to and from the proposed liner trains by private hauliers it may have something to recommend it. Otherwise it will be inflationary since it will provide a further argument for raising railway fares and freight rates. It may be true that these negotiations were in hand before the new Government attempted to formulate an incomes policy, but the effects of the award will not fall so tidily between pre- and post-calendar dates when the new Government took over.

HIGHER MORTGAGE RATES?

AT its monthly meeting last week the Building Societies Association said that it had decided to defer any recommendation for an immediate increase in mortgage rates by building societies, but that a revised rate structure will be recommended after the Council's meeting on January 15th, 1965. The use of the word 'structure' indicates that there may be more in the Association's recommendations to its members in January than a simple increase in the mortgage rate, and that the margin between borrowing and lending rates may be widened.

The decision to do nothing for a month reflects a disparity of opinion between the larger societies and the smaller ones within the Association. Some of the larger societies would prefer to wait as long as possible before making a change. In the end, however, it is all probably a question of timing. There are at the present time additional complications for the movement since it is well aware that a Labour Government is highly sensitive about the rate at

which potential owner-occupiers can raise mortgages.

The upward pressure on building society rates is only in part due to the increase in Bank rate to 7 per cent. Most societies are now reasonably well placed to meet the demand for mortgages so far as the availability of funds is concerned. The other problem is that the recent rapid increase in business and the increase in the rate of composite tax paid on behalf of shareholders have been making inroads into reserves. Since building societies must keep a minimum ratio of reserves to total assets to preserve their trustee status they must either reduce lending to control the rate of expansion of total assets or improve their margins so that their reserves can keep pace with the expansion in total assets. Their margins are, of course, threatened by the rise in the standard rate of income tax which has been promised. The movement probably hopes that it can persuade the Chancellor to give them some form of tax relief and it is on this expectation that those societies which counsel delay on raising rates probably base their case.

STOCK TRANSFER PROCEDURE

THE London Stock Exchange recently released a new memorandum enlarging upon the provisions in paragraph sixty-six of the *Guide to the New Transfer System* which was issued in July 1963.

It was decided to issue this new memorandum as an amplification of the points referred to in the guide because it was found that the original paragraph sixty-six had given rise to misunderstanding among registrars as to the method of rectifying incorrect entries resulting from clerical errors appearing in transfer forms submitted to them for registration.

Copies of the memorandum have been distributed to the secretaries of all quoted companies, to local authorities whose securities are quoted, group registrars, banks and other appropriate organizations. The memorandum is also available on request, free of charge, from the Secretary, The Stock Exchange, London EC2.

AGREEMENT AMONG THE SIX

AT 5 a.m. on Tuesday morning this week, agreement was reached in the Council of Ministers of the European Economic Community on cereal prices. The major impasse was overcome twenty-four hours earlier when West Germany accepted the commission's proposal for a price of Dm.425 a ton for wheat. The main obstacle to agreement by that time had become Italy. The French foreign minister made a special flight to Brussels on Monday evening, after his talks with Mr Gordon Walker in Paris on an entirely different matter, and his arrival at Brussels brought the final stages in the negotiations to a conclusion.

The European Economic Community has thus achieved agreement on the most difficult of the economic issues left for the European Common Market to resolve in its progress to complete dismantlement of its internal tariff structure. There is irony in the fact that within a few weeks the European Economic Community has secured impetus towards further economic and perhaps political integration while the European Free Trade Association is in disarray after the 15 per cent surcharge imposed on imports by the United Kingdom.

An Answer At Christmas

by a member of the Accountants' Christian Fellowship

IT was William Temple who pointed out that on occasion the reply which Jesus gave to an inquirer did not in fact answer directly the question raised, but instead led to ground where the question did not arise at all. Such a method demands a profound insight if it is to be imitated: but that practitioner is happy indeed who in his own way is able to apply it to those human problems which can arise even in the course of the mundane affairs which are an accountant's concern.

Perhaps the message of Christmas does just this for some of the profoundest questions of human existence. The problems of evil and of human ill-will, of loneliness and of suffering, may not be answered at an intellectual level: but they are transformed so as to be unrecognizable in the light of the truth of God made man, of God sharing humanity. To understand that truth aright is a Christmas gift beyond price: to be able to apply it to the affairs of men, a talent to be prized beyond avarice.

F. R. C.

This is My Life . . .

by An Industrious Accountant

CHAPTER 255

WITH Christmas barely a week away it was a slack period for the accounts department, though the store outside was seething with activity. I was reading an article about ideal office layout. It dealt in rather lordly style with colour schemes, ventilation, heating, and cubic feet of air per person; it dwelt in passing with movable partitioning to separate big office areas into smaller ones; it estimated optimum desk space etc. It didn't make much sense to me.

No matter how good or bad ventilation may be in theory, in practice it's always provocative of grumbling. If A. is elderly and thin of blood (and especially if female), she wants all the windows shut from October till April, while B., being a fresh-air fiend, throws them all open – even entering stealthily at lunchtime to do so unobserved. Then C., who has asthma, tries to impose a solution by pulling rank, so they appeal to me for a ruling. I used to try to work out something reasonable as a compromise, but now I've become smart. I appoint a small subcommittee to prepare a report. . . .

A friend of mine works in one of those (so-called) magnificent new office blocks in London, with double glazed windows and air-conditioning (again so-called) with thermostats, and little knobs which can be turned to inject a private jet of cold air (or hot, if you don't like cold), and a humidity which wilts flowers on the desk overnight. It's wonderfully ultra-modern – all the staff hate it. They think I'm lucky with my open window and a trusting robin pecking crumbs on the sill.

During my first winter here, when colds and sneezes and influenza were rife, I studied the problem with scientific detachment. The answer lay in the doors at the entrance to the store. We had huge double swing-doors, which were continually in motion. With every swing a gust of chill outside air blew through our aisles and round our pillars. No constitution could stand the strain; the alternate heat and cold were devastating. Stephen Leacock once wrote a story about a physical-fitness fanatic who at length could open and close his pores at will; regrettably for him, they jammed through over-usage; *sic itur*. . . .

Anyhow, I stood by the entrance for some time, observing the throng pass in and out – busy, pushing, burdened with parcels. I held a door open for a lady with three small children, reaping a harvest of warm smiles in return; then I found it hard to let go. Other people thrust by uncaring. Rather than let the door swing back into someone's face I held on and was surprised to notice how few were the folk who said a word of thanks or nodded an acknowledgement. Rather a reflection on modern society and its stresses. I remember saying 'thank you' a few times, foolishly enough, just to test the reactions; but only one customer responded. That was Lady M., that renowned local virago of icy superiority. She was quick enough to detect the sarcasm, and turned to give me a withering stare before passing on.

Much melted ice has passed under the bridge since that hard winter; nowadays Lady M. stops for a few gracious, if condescending, words. Furthermore, we now have one of these modern entrances which don't need doors at all; I don't really know how it works – too scientific for me; a controlled barrier of warm air, or something, separates the inside and outside atmosphere. However, all is sweetness and light, especially at the present time with the Christmas crowd.

At the same time, it is a true adage that you can't please everybody all the time. Take our typists for instance. Their office over the decades has pushed far beyond its original confines, the extensions being walled with glass from waist-level up. First, the typists objected strongly to the arrangement. They sat in two rows along the inner boundary, looking out on to the hosiery and knitwear department. Unfortunately, people outside looked in; they were under constant survey, the girls said. They had no privacy; staring customers stood against the glass within six inches of them, just as if they were on exhibition in a zoo. Lady M. used to tap peremptorily to beckon one or another of them out to take messages – which wasn't their job; an ex-boy friend of the blonde in the corner used to stand beyond her bit of glass partition making imploring gestures. She hadn't objected, I reflected, when he held current status and ogled her across the twinsets.

But they seemed to have a legitimate grumble, and I took the matter up at a board meeting, rather to the directors' surprise. The contract director had been in the habit of surreptitiously watching their level of work from a vantage point outside the glass; the deputy-chairman, who has a vaguely feudalistic outlook, was surprised to learn that the staff had feelings at all. The chairman, always instinctively generous if it didn't cost too much, was responsive. A Christmas present of privacy, he said unctuously, and we settled on a four-foot high strip of frosted glass to hide their blushes, and happiness reigned . . . for a short while. Then the girls came to complain that they felt cut-off and lonely when they couldn't see the customers. It had always been such fun – definitely fab in fact – watching what went on. The directors said: 'We told you so', and the sales manager jibed at me for keeping my harem in purdah.

But the matter has to be faced, of course; for the scores of girls who come and go on our staff, the office is just a temporary resting-place between school and marriage, while they earn enough to fill their bottom drawers. It's important that they should be warm – and safe and happy and cared for as well.

Reviews

New Trends in Pensions

by MICHAEL PILCH and VICTOR WOOD (Hutchinson & Co Ltd, London. 40*s* net.)

This book is a successor to the author's earlier work on pensions schemes and provides a survey of existing occupational schemes in the light of information culled from a survey of 180 firms with such schemes. It illustrates variations in the scale of benefits offered by different employers and the contrasting position of staff and manual workers. A short section examines recent developments since the appearance of the earlier book, and a final chapter on 'The Human Element', reviews some of the personal problems involved in a pension scheme and not least the difficulties which arise on the occasion of mergers and redundancy.

More Mathematical Puzzles and Diversions

by MARTIN GARDNER (G. Bell & Sons Ltd, London. 20*s* net.)

Calculator's Cunning

by KARL MENNINGER (G. Bell & Sons Ltd, London. 13*s* 6*d* net.)

The first of these books is dedicated to someone 'who likes to tackle puzzles big enough to walk upon'. Here, taken from material previously published in the *Scientific American*, is a selection of such problems based on the intriguing characteristics of tetraflexagons, platonic solids, digital roots, the golden ratio, magic squares and the laws of probability. The situations are humanized and concern shipwrecked sailors, condemned prisoners, absent-minded bank clerks, duellists, desert travellers and people who just sit around and play cards or throw dice. While amusing himself, the reader may pick up some helpful practical knowledge – how to cut a doughnut into thirteen pieces with only three passes with a knife, how to walk in and out of Hampton Court maze and how to carve a cork to fit snugly into square, circular or triangular holes.

The second book, translated from the original German by Mr E. J. F. Primrose, has the explanatory subtitle 'The art of quick reckoning'. At a guess, it contains more figures than words and it is intended to instruct rather than amuse. The neatness of the devices demonstrated, however, are in themselves entertaining and prove the author's contention in his foreword that machine calculation today stunts the growth of proper calculation and, therefore, of 'number-sense'. He instances the sixth-former who, faced with multiplying 2 by 2, gets out his slide-rule and gives an exact answer of 3·95.

Both books are most reasonably priced and would make admirable Christmas gifts for a mathematically-minded recipient.

Contracts of Employment (in relation to the Contracts of Employment Act, 1963)

by DOROTHY KNIGHT DIX, Q.C. (Butterworth & Co Ltd, London. 27*s* 6*d*, postage 1*s* 2*d* extra.)

The Contracts of Employment Act, 1963, was put forward by the Government of the day as giving greater security for workers. Although, as the author of this book says, the degree of protection given is very limited, it does apply to most workers and failure by any employer to implement its provisions may involve him in criminal proceedings. It therefore behoves everyone who has even only one employee to familiarize himself with the Act.

This Act does not constitute a code of law governing employments; it simply adds a few requirements to the existing law, the state of which is by no means very clear. Therefore, there would be little point in merely buying the Act. What one needs is guidance on just how the Act operates, and we know of no better way of finding this out than by perusing this book. There are fifty-nine pages of carefully-written text; the Act itself is reproduced with annotations; there are ten pages of simple precedents; there is a list of wages councils and wage regulation orders, and finally, there is a good index.

One of the principal provisions of the Act requires an employer to give his employee written particulars of the terms of the contract of their employment; but it seems that the draftsmen of the Act did not realize that such written particulars would usually be chargeable to stamp duty. Miss Dix pointed out this liability, whereupon the Finance Act, 1964, exempted all contracts of employment from duty – which almost constitutes a case of legislation by textbook.

RECENT PUBLICATIONS

A CONCISE LAW DICTIONARY, fifth edition, by P. G. Osborn, LL.B.(LOND.). vii+393 pp. 9×5½. 25*s* net. Sweet & Maxwell Ltd, London.

MANAGEMENT ACCOUNTING: TEXT AND CASES, third edition, by Robert N. Anthony, D.C.S. xxii+760 pp. 9×6. Richard D. Irwin Inc., Homewood, Illinois, U.S.A.

MANAGERIAL BUDGETING, by W. D. Knight and E. H. Weinwurm. x+468 pp. 9½×6½. 63*s* net. Collier-Macmillan Ltd, London.

PROFIT PLANNING AND THE MANAGEMENT OF RETURN ON CAPITAL EMPLOYED, Pillars of Management Accounting Series, volume 3, by E. C. D. Evans, B.SC.(ECON.), F.A.C.C.A., A.C.I.S., A.M.B.I.M. viii+76 pp. 8×5. 12*s* 6*d* net. MacDonald & Co (Publishers) Ltd, London.

THE INTERNATIONAL MONETARY FUND, by Hans Aufricht. 126 pp. 9×5½. 30*s* net. Stevens & Sons Ltd, London EC4.

These books may be obtained from, or through, Gee & Co (Publishers) Limited, The City Library, 151 Strand, London WC2.

Finance and Commerce

Dalgety

THE report of Dalgety and New Zealand Loan Ltd, from which this week's reprint is taken, is notable for the inclusion of a turnover figure for the first time. The company in its present form is the result of a merger in 1961 of Dalgety & Co Ltd and New Zealand Loan and Mercantile Agency Ltd, but even before that Dalgety was the largest wool-selling house in the world.

The group in its present form is the biggest agency business of its kind and has grown with the years both in actual size and in the sphere of its activities. Without a figure for turnover, however, the true scope of the organization's business was formerly a matter of guess-work.

But having decided to show turnover, the company has done the thing in style. Introducing the figures, Lieutenant-Colonel C. P. Dawnay, the chairman, states that the reason for their non-publication previously was 'not from any reluctance to make these figures known to shareholders, but because we have felt that, for this company, such figures may be misleading'.

The Figures

This, he adds, is because the company undertakes many different functions which vary from buying and selling on its own account, selling on behalf of clients for a remuneration based partly on quantities and partly on values, and rendering various other services both to clients and principals.

The following figures are then provided:

	1962/63	*1963/64*
	£	£
Wool (sales)	88,143,000	108,216,000
Livestock and Land (sales)	105,917,000	127,834,000
Produce (sales) ..	32,078,000	38,215,000
Merchandise (sales) –		
Wholesale	14,556,000	19,995,000
Retail	35,679,000	39,842,000
Insurance (premiums) ..	3,074,000	3,527,000
Shipping, Travel and Stevedoring (gross earnings)	1,233,000	1,307,000
	£280,680,000	£338,936,000

	£	£
Australia..	170,368,000	205,745,000
New Zealand	80,113,000	95,238,000
East Africa	15,889,000	20,862,000
United Kingdom ..	14,310,000	17,091,000
	£280,680,000	£338,936,000

Two particular points are stressed. The first is that in the case of wool, livestock and land, and to a lesser extent produce, the greater part of the sales are on a commission basis on behalf of clients. The second is that the increased turnover of £20 million for wool and £22 million for livestock and land stems largely from the higher prices ruling for those commodities, and the increase in merchandise turnover is in part due to the greater income in clients' hands as a result of these higher prices.

Explanation

The point that figures may be 'misleading' is often made as a defence against their publication. The fact that figures may need explanation is no real reason why they should be kept secret. The Dalgety and New Zealand directors, having overcome their reluctance and having made the necessary explanations, have, by now, probably discovered that publishing a turnover figure for the various sectors of the organization has been a painless exercise.

Although the bulk of the group's operations is overseas, the company is London-registered with its head office in the City. It ranks as an overseas trade corporation for tax purposes. The company comes under the influence of the London Stock Exchange's dictates and requests for more information in company reports and that, presumably, was the spur to the publication of the turnover figures, although the chairman does not admit as much.

The directors, the chairman states, have always been anxious that a greater proportion of the company's share capital should be held by residents of the countries in which the group operates. To that end it is intended to offer conversion into ordinary shares to holders of Australian currency medium-term 'Notes'.

Commodity Risk

The sharp increase in 1963–64 earnings will be noted in the accounts. The rise stems not only from the considerably higher business volume but on the achievement of economies from the 1961 merger.

In a business which consists largely of services rendered, a reserve against commodity price movements is not necessarily an essential but the accounts show that a 'Provision against Commodity Risk' has been set up to the extent of £250,000. The step has been taken because of the 'greatly increased trade in commodities, particularly meat, which the group is now conducting on an international basis'. This trade is expected to be profitable but there are risks, some of which cannot economically be covered by insurance, and there will be times when substantial claims and losses may arise.

A similar appropriation has been made for 'Provision for Superannuation'. The company endeavours to charge against profits the full cost of staff superannuation during their working lives but the effects of inflation and group expansion mean that the aim is not always achieved.

Dalgety and New Zealand Loan Limited and Subsidiaries

Consolidated Balance Sheet — *30th June 1964*

	1964 £	1964 £	1964 £	1963 £	1963 £
Authorised Capital					
3,300,000 5½ per cent Cumulative Preference Shares of £1 each	3,300,000				
11,000,000 Ordinary Shares of £1 each	11,000,000				
	£14,300,000				
Ordinary Shareholders					
ISSUED CAPITAL					
10,001,311 Ordinary Shares of £1 each, fully paid		10,001,125		*9,425,311*	
RESERVES (note 1)					
Share Premium	3,080,655				
Capital Reserves	3,525,383				
		6,606,038		*6,186,292*	
Revenue Reserves	4,840,031				
Unappropriated Profits	2,535,888				
		7,375,919		*6,568,199*	
			23,983,268		*22,179,616*
Preference Shareholders					
ISSUED CAPITAL					
3,300,000 5½ per cent Cumulative Preference Shares of £1 each, fully paid			3,300,000		*3,300,000*
Loan Capital Secured (note 2)			19,378,328		*16,834,182*
Provisions					
Unfunded retirement benefits		1,961,468			*1,898,580*
Commodity risks		250,000			—
			2,211,468		
Interest of minority shareholders in subsidiary companies			224,009		*193,333*
			£49,097,073		*£44,405,711*

	1964 £	1964 £	1963 £	1963 £
Current Assets				
Bank Balances and Cash (note 3)	1,490,450		*564,995*	
Investments in British Funds and Short-term Deposits (note 4)	6,503,662		*3,825,059*	
Debtors	11,700,611		*10,003,763*	
Advances to Clients	30,295,647		*28,943,521*	
Merchandise and Produce Stocks (note 5)	9,091,280		*7,321,941*	
Livestock at Company's standard values	296,825		*147,410*	
	59,378,475		*50,806,689*	
Less **Current Liabilities**				
Bank Overdrafts	10,189,351		*7,103,267*	
Creditors and Clients Balances	17,501,273		*14,910,902*	
Mortgages on Property owned by Subsidiary Companies	710,256		*757,541*	
Provision for United Kingdom and Overseas Taxation (including taxation on profits for year to date)	2,861,889		*2,000,642*	
Debenture and Note Interest accrued (secured)	233,234		*191,005*	
Dividends provided (net)	655,663		*621,092*	
	32,151,666		*25,584,449*	
Net Current Assets		27,226,809		*25,222,240*
Trade Investments at cost, *less* amounts written off (note 6)		1,147,245		*1,185,056*
Fixed Assets (note 7)		20,723,019		*17,998,415*
		£49,097,073		*£44,405,711*

C. P. DAWNAY — *Chairman*
M. G. H. BROWN — *Director*

Dalgety and New Zealand Loan Limited and Subsidiaries

Consolidated Profit and Loss Account and Appropriations for the year ended 30th June 1964

	1964		1963	
	£	£	£	£
Group Profit after taking into account the amounts of Income, Expenditure and Charges set out in note 8 but before charging Taxation		4,389,515		2,839,798
Less Estimated Taxation on the Profits for the year		2,119,599		1,179,223
		2,269,916		1,660,575
Less Proportion attributable to minority shareholding in subsidiaries		20,587		15,977
Balance attributable to the Members of Dalgety and New Zealand Loan Limited		2,249,329		1,644,598
Add Taxation adjustments of previous years		186,809		293,636
		2,436,138		1,938,234
Less Retained in the Accounts of subsidiaries		417,026		199,682
		2,019,112		1,738,552
Add Balance brought forward from previous year		992,262		856,016
		3,011,374		2,594,568
Appropriations				
New Issue Expenses	21,994		142,876	
Transfer to Revenue Reserves	—		500,000	
Provision against Commodity Risks	250,000		—	
Provision for Superannuation	250,000		—	
Dividends (note 9)	1,111,301	1,633,295	959,430	1,602,306
Unappropriated Profits				
Dalgety and New Zealand Loan Limited		1,378,079		992,262
Subsidiaries				
Balance brought forward from previous year (*less* adjustment for subsidiary sold)	740,783		541,395	
Retained Profits for the year, as above	417,026	1,157,809	199,682	741,077
Unappropriated Profits of the Group		£2,535,888		£1,733,339

Notes on the Accounts

1. Movement in Reserves

	Parent Company	Group
SHARE PREMIUM		
Balance at 30th June 1963	£2,504,469	
Premium on issue of Ordinary Shares	576,186	
Balance at 30th June 1964	£3,080,655	
CAPITAL RESERVES		
Balance at 30th June 1963	£1,836,817	£3,681,823
Profits on sales of certain Land and Premises	93,028	305,418
Profits on sales of certain Trade Investments	32,281	32,693
Transfer from Profits	3,300	3,300
	£1,965,426	£4,023,234
Less:		
Written off Fixed Assets and Goodwill	8,950	8,950
Adjustments on Consolidation (note 11(*a*))	—	488,901
	8,950	497,851
Balance at 30th June 1964	£1,956,476	£3,525,383
REVENUE RESERVES		
Balance at 30th June 1963	£4,834,860	£4,834,860
Profit on sale of investments	5,171	5,171
Balance at 30th June 1964	£4,840,031	£4,840,031

Notes on the Accounts (continued)

2 Loan Capital

	1964	*1963*
PARENT COMPANY		
Secured by First Floating Charge		
4¼ per cent Redeemable Debenture Stock 1975–80 (redeemable at 101 per cent)	£3,500,000	*£3,500,000*
4½ per cent Redeemable Debenture Stock 1975–80	900,000	*900,000*
5¾ per cent Redeemable Debenture Stock 1975–80	1,350,000	*1,350,000*
6½ per cent Redeemable Debenture Stock 1975–80	500,000	*500,000*
6 per cent Redeemable Debenture Stock 1979–84	3,000,000	*3,000,000*
6¾ per cent Redeemable Debenture Stock 1985–95	3,000,000	*3,000,000*
Terminable Debentures (redeemable at varying dates between 1964 and 1971)	185,200	*254,600*
Secured by Second Floating Charge		
7 per cent Australian Secured Notes (redeemable at varying dates between 1965 and 1983)	4,637,450	*2,023,904*
	£17,072,650	*£14,528,504*
SUBSIDIARY COMPANIES		
Secured by First Floating Charge		
6¼ per cent Mortgage Debenture Stock 1967–77 (principal and interest guaranteed by Parent Company)	733,865	*733,865*
6½ per cent Redeemable Debenture Stock 1978–79 (interest guaranteed by Parent Company)	796,813	*796,813*
5⅝ per cent Redeemable Debenture Stock 1979 (interest guaranteed by Parent Company)	500,000	*500,000*
6½ per cent Redeemable Debenture Stock 1979 (interest guaranteed by Parent Company)	150,000	*150,000*
Secured by Second Floating Charge		
5¾ per cent Redeemable Debenture Stock 1966 (principal and interest guaranteed by Parent Company)	125,000	*125,000*
	£19,378,328	*£16,834,182*

At the Company's option certain of the above stocks can be redeemed at a premium prior to the final redemption date.

3 Bank Balances and Cash includes £1,206,703 for the Parent Company and £1,214,649 for the Group held in trust for vendors of produce or properties.

4 Investments

	Parent Company 1964	*1963*	*Group* 1964	*1963*
British Funds	£5,093,144	*£3,146,367*	£5,103,662	*£3,149,367*
(Market Value)	(5,088,166)	*(3,268,069)*	(5,098,250)	*(3,271,069)*
Short-term Deposits	1,400,000	*650,000*	1,400,000	*675,692*
	£6,493,144	*£3,796,367*	£6,503,662	*£3,825,059*

Of the Investments in British Funds £150,000 is charged as security for Staff Pension Fund monies from time to time deposited with the Company.

5 Merchandise and Produce Stocks in hand and in transit are valued at the lower of cost and net realisable value.

6 Trade Investments

The Group's Trade Investments include £726,290 quoted investments with a market value of £2,436,534.

7 Fixed Assets

	At 1953 or earlier valuation or subsequent cost 1964	*1963*	*Depreciation* 1964	*1963*	*Net Book Value* 1964	*1963*
PARENT COMPANY						
Freehold Land and Premises	£4,849,769	*£5,036,209*	£1,443,885	*£1,407,461*	£3,405,884	*£3,628,748*
Leasehold Land and Premises	700,220	*684,218*	246,688	*223,637*	453,532	*460,581*
Plant, Furniture and Motors	4,774,214	*4,774,995*	2,628,766	*2,654,435*	2,145,448	*2,120,560*
	£10,324,203	*£10,495,422*	£4,319,339	*£4,285,533*	£6,004,864	*£6,209,889*
GROUP						
Freehold Land and Premises	£18,784,601	*£17,312,177*	£3,335,491	*£3,330,168*	£15,449,110	*£13,982,009*
Leasehold Land and Premises	2,827,194	*1,837,696*	820,304	*727,542*	2,006,890	*1,110,154*
Plant, Furniture and Motors	6,937,937	*6,140,587*	3,670,918	*3,234,335*	3,267,019	*2,906,252*
	£28,549,732	*£25,290,460*	£7,826,713	*£7,292,045*	£20,723,019	*£17,998,415*

	1964	*1963*
8 Group Profit	£4,389,515	*£2,839,798*
The above figure has been arrived at		
(a) after charging		
Depreciation on Fixed Assets and Goodwill written off	1,253,466	*1,124,318*
Interest – on Loan Capital and Mortgages	1,026,256	*888,059*
on Bank Overdrafts	307,157	*436,401*
Directors' Emoluments – Fees	12,000	*14,380*
Other Emoluments	34,330	*25,312*
Pensions	1,495	*1,208*
	£2,634,704	*£2,489,678*
(b) after crediting		
Income from Investments	181,740	*143,991*
Income from Trade Investments	143,767	*123,279*
	£325,507	*£267,270*

9 Dividends paid and provided	1964	*1963*
On Cumulative Preference Shares, 5½ per cent *less* tax	£111,169	*£111,169*
On Ordinary Shares – Interim at 4 per cent (1963 – 3 per cent) free of tax	400,053	*282,754*
Proposed Final at 6 per cent (1963 – 6 per cent) free of tax	600,079	*565,507*
	£1,111,301	*£959,430*

10 Exchange

The Assets and Liabilities in Australia have been converted at £125 10s. 0d., in the U.S.A. at $2.80, and in New Zealand and East Africa at parity.

11 Subsidiary Companies

(a) The net amount by which the book value of shares in Subsidiary Companies exceeds the nominal value of those shares has, for consolidation purposes, been deducted from pre-acquisition profits and reserves of those Companies in arriving at the Group Capital Reserves. The Adjustments on Consolidation shown in Note 1 relate to companies acquired or disposed of during the year.
(b) The accounts of certain recently acquired Subsidiary Companies are made up to dates other than the 30th June 1964.

12 Contingent Liabilities amount to £1,765,476 for the Parent Company and £1,602,340 for the Group.

13 Commitments for Capital Expenditure are estimated to amount to £82,470 for the Parent Company and £1,297,579 for the Group.

CITY NOTES

THE chances of a rally in equities are currently being discussed in the stock-market. Traditionally the early part of the New Year sees a firmer market if only for the reason that the turn of the year usually brings a spate of investment advice.

Certainly the technical position of the market is such that prices would respond strongly to any resumption of support. The problem is whether the still existing doubts on corporation tax and capital gains tax will prove stronger in their effect than a volume of support based more on hope than informed judgement.

Calculations of the effect of corporation tax, so far as calculations can be made, are being based on a tax rate of 35 per cent. But will the tax be at that rate?

Another point for doubt is the duration and effect of 7 per cent Bank rate and the Bank of England's directive on lending. On the face of things, leading equity prices may seem to have been marked down far enough but there are some morbid forecasts of a fall of 30 per cent in share values between now and the spring Budget.

Anyone taking a view that a short-term rally is justified must also take account of the longer range factors which still seem to imply a cautious approach to a market likely to remain touchy and nervous.

* * * *

THE latest suspension of Stock Exchange members for creating a false market in the shares of H. W. Phillips will be followed by Stock Exchange Council action to re-frame the rules on this point. Basically the position is that a broker is at fault when he continues to operate for a client when to the broker's belief or knowledge a false market is being purposely created.

The Council's difficulty is to frame the rules in such a way that false markets are not created but at the same time a free market is not disturbed. Too much control on the first point could, in certain circumstances, jeopardize the second. Finding the balance is not easy.

* * * *

HAVING managed to postpone the evil day by a month, the Council of the Building Societies Association has admitted that pressure on funds must mean higher interest rates in the New Year. What was it that decided the Council to state in its official announcement that a 'revised rates structure' would result from the Council's next meeting in January? Rates will certainly be revised then but, under current circumstances, they can obviously only be revised one way – upwards. There is the point, however, that revision is likely to see a wider margin between investment interest paid and mortgage interest charged.

The change is likely to be from 3½ per cent tax paid on investments and 6 per cent charged on mortgages to 3¾ per cent tax paid and 6¾ per cent respectively, thus increasing the operational margin.

* * * *

A NEW company – the Insurance Company of East Africa – has been formed in East Africa to transact all classes of insurance. The Eagle Star, New Zealand and Welfare insurance groups are supporting the project and will subscribe for the majority of the new company's capital.

RATES AND PRICES

Closing prices, Wednesday, December 16th, 1964

Tax Reserve Certificates: interest rate 28.11.64 3½%

Bank Rate

Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%
Mar. 22, 1962	5%	Nov. 23, 1964	7%

Treasury Bills

Oct. 9	£4	13s	0·96d%	Nov. 13	£4	13s	3·71d%
Oct. 16	£4	14s	0·69d%	Nov. 20	£4	14s	8·31d%
Oct. 23	£4	14s	5·44d%	Nov. 27	£6	12s	7·25d%
Oct. 30	£4	13s	11·61d%	Dec. 4	£6	12s	4·62d%
Nov. 6	£4	13s	5·09d%	Dec. 11	£6	12s	5·45d%

Money Rates

Day to day	5⅜–6⅛%	*Bank Bills*	
7 days	5¼–6¼%	2 months	$6\frac{13}{16}$–6⅞%
Fine Trade Bills		3 months	$6\frac{13}{16}$–6⅞%
3 months	7¾–8%	4 months	$6\frac{13}{16}$–6⅞%
4 months	7¾–8%	6 months	$6\frac{13}{16}$–6⅞%
6 months	8–8¾%		

Foreign Exchanges

New York	$2{\cdot}79\frac{1}{32}$	Frankfurt	11·09⅜
Montreal	2·99⅞	Milan	1743½
Amsterdam	10·02½	Oslo	19·95⅞
Brussels	138·56	Paris	13·67⅜
Copenhagen	19·29	Zürich	12·04⅛

Gilt-edged

Consols 4%	63⅜	Funding 3% 59–69	88⅝
Consols 2½%	39⅝	Savings 3% 60–70	84¾
Conversion 6% 1972	100¼	Savings 3% 65–75	75¼
Conversion 5¼% 1974	92¾	Savings 2½% 64–67	$91\frac{7}{16}$
Conversion 5% 1971	92¾xd	Treasury 5½% 2008–12	88⅜
Conversion 3½% 1969	89	Treasury 5% 86–89	84¼
Conversion 3½%	55	Treasury 3½% 77–80	73
Funding 5½% 82–84	91⅜xd	Treasury 3½% 79–81	73
Funding 4% 60–90	90⅝	Treasury 2½%	39⅝
Funding 3½% 99–04	61	Victory 4%	96⅜
Funding 3% 66–68	88⅞	War Loan 3½%	54⅝

Correspondence

The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Corporation Tax

SIR, – In all the correspondence and articles in the various journals, including your own, on this tax there has so far been no reference to the small and medium concerns which produce an important proportion of the total earnings of the country and probably do so rather more efficiently than many of the larger groups.

At present the small company, which is director controlled, is allowed a limited amount to directors' remuneration and 'enjoys' an abatement on its profits chargeable to profits tax where these are below £12,000. This may be compared to the American corporation taxes which pay a normal tax on all net income and a surtax on net income over (I think) $30,000. It would be reasonable to expect that whatever the rate of corporation tax in this country, there should be some relief for the smaller companies and directors' remuneration (which, at present, is not limited for income tax purposes except in relation to a fair commercial rate) should have a considerably increased limit. The present figures are £3,000 for the first director and £2,000 for each of three subsequent directors and this was fixed before the surtax exemption limit on earned incomes was raised from £2,000 to £5,000. To charge the excess remuneration over the present level at the profits tax figure of 15 per cent less abatement, would be very different from charging it to corporation tax at probably a minimum of 35 per cent with or without abatement.

In 1962 I calculated figures, which you published, showing that for a one-man company it was now cheaper to trade as a sole trader for taxation purposes up to approximately £8,000 of profit as this is the point where surtax on the excess over £5,000 catches up with profits tax which would otherwise be payable. Taking into account the probable impact of a corporation and dividend tax and the possibility of capital gains on profits retained (when these are subsequently withdrawn) the break-even point for taxation may now possibly be lifted from £8,000 to possibly £10,000 or more.

It seems clear from the Chancellor's recent statement that profits retained will in fact be subject to a potential capital gains charge since they will increase the value of the shares in the company.

It also seems clear that all companies will be potentially liable to income tax directions and not only those companies where there is potential surtax liability. At present a company which is the subject of a surtax direction at least is exempted from profits tax. Now all companies may be subject to income tax direction with no relief whatever. Those companies which have given covenants to charities would also appear to be penalized by the new legislation in that they will presumably have to pay the covenants moneys gross and the charity will have no tax reclaim. Presumably, this will affect covenants already given, in so far as payments under them are made in future years.

At least all these proposals should be good for unemployment. The Inland Revenue will undoubtedly have to recruit many more staff to deal with all these charges whether or not the total of tax collected remains the same or is increased.

Yours faithfully,

Manchester 2. JACK ROSS & CO.

Accounting Heresy!

SIR, – What should have been more than enough in the way of challenges to the accounting profession have been issued from outside it – particularly as regards training methods, the failure to consider the effects of inflation and the failure of that sacred cow, the balance sheet, to give a 'true and fair' view of the real value of assets. The stock answer that this is not the purpose of a balance sheet is insufficient, it is felt, when the accounting profession does not provide industrial management or shareholders with other, better information on real worth.

Now, unfortunately, a brilliant challenge from inside the profession, 'Accounting heresy' in your issue of November 14th, seems to have been almost ignored, like the outside challenges. This despite the fact that the article contained the first real discussion I can remember seeing in your columns of the allowed profit position forced on that large portion of industry having Government departments as their almost all-powerful customer. The impact of the present departmental attitude affects many of the largest firms in the country, and must represent a common problem. What is the profession's reply? Is it to be left to one letter of grudging assent to the problem, yoked to a comment that ' "the hidden truth" . . . is useless in everyday use'. Useless to whom, pray?

However, I agree with Mr Newing (November 28th issue) in criticizing 'Unrepentant Heretic's' example of real rewards earned by undertaking a maximum risk contract. Interest here is not a charge and is also subject to inflation. The two points to be made, though, are still (1) that the maximum reward to be earned is far below the yield obtainable by employing capital in other ways, whether in industrial activity or 'investments', and (2) that this unfair rate of real return stems from failure by the accounting profession to provide public guidance on the measurement of inflation, true profitability and the real worth of assets.

Furthermore, it will be realized that industry, having once become large-scale suppliers to the Government, tends to become committed by investments in fixed assets, by factory layout and by general organization and number of employees to the continuance of such business. The problem

facing management is not a simple one of switching out of unprofitable Government contracts.

Yours faithfully,
A. W.

SIR,–I must protest that I have been misrepresented by your correspondent 'Unrepentant Heretic' in his reply (December 5th issue) to my letter (November 28th issue) commenting on his article 'Accounting Heresy'.

(a) I did not state, or give cause for him to assume, that I deplore the deficiencies in statutory accounts arising from existing conventions but that there was a need for further information required to augment annual audited accounts.

(b) I do propose that something should be done about it as indeed it is by a comparatively new committee of The Institute of Chartered Accountants in England and Wales. It will, however, be a slow process in arriving at a universally acceptable addition to the present legal requirements. Nevertheless, I am sure that this committee has a worth-while role to play.

(c) I would suggest that 'the hidden truth' as implied by my quotation marks is not a fair view, certified by the auditor to the shareholders, and varies with the person for whom the information is required. I fully realize the entitlements of the shareholder, the investing public, the economist, the banker, the creditor and indeed the tax man and the Government, but as previously stated, maintain that the only person benefiting from 'these hidden truths' will be the speculator.

My example of the tycoon up to now making expanding profits who would *unfortunately* face bankruptcy in the reversal of accounting conventions translating profit to loss and vice versa serves to illustrate the folly of the heretic!

My main point, however, was the misleading use of figures which your correspondent does not deny. Instead, he confuses the issue by taking the net effective return of a 6 per cent interest after taxation and cost of inflation, grossing it up at 7*s* 9*d* and asking if this is a fair return. Does he propose that the Bank rate should be nearer 20 per cent?

What I would advise my clients, apart from being theoretical, is confidential and would be a breach of professional ethics if disclosed to third parties.

Yours sincerely,
Bexleyheath, Kent. K. J. NEWING.

Accountancy Apartheid

SIR, – I have been most interested in this correspondence. We have seen the matter raised at each annual general meeting of the Institute since integration, but nothing is done about it. Surely the Council must have realized that the great majority of members are in favour of the removal of this particular form of class distinction once and for all. It is neither necessary nor does it serve a useful purpose. It only tends, I think, to blur the image of the Institute in the minds of the public. Yours faithfully,

J. HERBERT SMITH, F.C.A.,
Chief Accountant,
Southampton. SOUTHERN GAS BOARD.

Facts and Figures

SIR, – How factual are published company reports? How closely do accounting systems reflect reality?

These apparently subversive considerations are prompted by the report in 'Finance and Commerce' (November 28th issue) where it was stated that Horsley Bridge & Thomas Piggot Ltd has changed its system of allocating overheads because the system previously used tended to accentuate profit fluctuations. The chairman is reported to have said that the policy of not taking profit in respect of uncompleted contracts will continue.

In this he is far from being alone. The chairman of Mitchell Construction Co stated earlier this year that such was his policy (indeed, in the contracting business this method is probably the rule rather than the exception); he went further and told his shareholders that to get a more accurate picture they should look at the company's profits on a moving average basis – an exercise he considerately performed for them.

This strikes me as *folie de grandeur*. It would surely be more prudent, if you are unable to produce for your shareholders the fact of their investment, not to advertise the matter.

With the sole exception of maintenance during the retention period, there seems no sensible reason for not taking profit on a contract while it is being completed, other than ignorance or lack of faith in one's agents. Contractors undoubtedly receive architect's certificates throughout contracts which are presumably based on selling price. And engineers presumably invoice their customers part way through current contracts; otherwise they are misusing their finances. If they do not then take profit, do they show *minus* work in progress? Suppose that in the first year of business no contracts were completed, does the company then show a loss? This seems to have advantages from a tax angle!

How misleading figures can be was well instanced in the Ferranti affair. The figures which caused the furore were, as reported in *The Accountant*, May 30th:

	Actual	*Agreed*
	£000s	
Materials	3,569	3,197
Labour	574	1,170
Overheads (558 per cent on Labour)	3,077	6,633
Profit 7 per cent on cost		770
,, 63 per cent on cost	4,550	
	£11,770	£11,770

Nobody, from the Minister down, the economist who quoted the figures in *The Accountant*, and Mr Ferranti himself, appeared to dispute the figures. Nobody suggested that just because the Ministry accountants decreed that overheads were to be rewarded at 558 per cent on labour (in 1958), the actual overheads (in 1960) were in fact 558 per cent on labour. An impartial observer might have been

excused in thinking that they really were nearer the £6 million mark than £3 million. At this state of our knowledge all that one knew was that, after scrutiny, the Ministry had expected them to be the former.

Look at the figures another way and remember that, to a contractor as to any other business man, overheads are merely something which have to be recovered before he can, in any period, make a profit. Suppose he looks at all margins over prime cost as a pool out of which he will recover all his overheads, after which any balance left over is profit. The figures can then become:

	£000s	
Prime	4,143	4,367
Margin	7,627	7,403
	£11,770	£11,770

giving Ferranti 185 per cent on prime plus 170 per cent on prime – figures which hardly indicate profiteering.

Since then the Lang first report has been published and the figures there (which do not quite tally) were:

	£000s	
Prime	3,922	4,648
Margin	8,902	8,196
	£12,824	£12,824

showing margins of 227 per cent and 176 per cent indicating that Ferranti had, as it happened, done very nicely.

But the point here, surely, is that what was sadly adrift was the method of renumerating the contract. The Ministry method of rewarding overheads was not really so wildly out: 562 per cent was agreed; 545 per cent was the actual as revealed in the Lang report. Though it is not clear from the report how overheads were allocated between Ministry and other contracts.

What with over-recovery of this and under-recovery of that, it is no wonder that costing today is so complicated that accountants themselves are hard put to know what is happening, let alone boards ot directors. (The distinguished board which Mr Bloom had assembled left the public with the impression that it did not really know what was going on when the crash finally came.)

The chairmen referred to at the beginning of this letter are really performing a public service in their frank statements. It may be that they do not believe it is possible for them to be better served by their accounting divisions. The time seems ripe for a more critical appreciation of costing today. The view of the wood is tending to get swamped by the trees.

At a recent seminar on critical path analysis organized by the British Institute of Management, the engineer in charge was asked whether it was possible to tie up the chronological progress of an operation with its financial budget as it proceeded. The sorrowful reply was that with the greatest respect to any accountants present, accounting techniques had not kept pace with advances in other fields and that all the computer would report after, say, the first week, was that so much overheads had been recovered.

At least the trend in professional opinion seems to be moving towards marginal costing. This does seem to be an advance, with overheads becoming larger and the difficulty of allocating them no less. Even a small error in allocating a 'floating' overhead to a wrong division can make all the difference, with profit levels low in any highly-competitive field, in its apparent profitability. It seems quite possible that babies, before now, have been thrown out with the bath water.

Yours faithfully,

IAN McGLASHAN, C.A.

Bures, Suffolk.

Per Capita Tax

SIR, – Mr L. E. Holmes states (December 5th issue): 'Such a tax [*per capita*] would cease to be a poll tax and become a form of income tax without the progressive feature inherent in the system of national income tax.'

I have wondered for some time why local rates cannot be collected by an increase of income tax, but I do not see this possibility discussed. Can someone tell me why this method might be unworkable

It is important that each rating area should be paid the same relative amount for each service. For instance, road rate will be a fixed amount for each unit of M. road; with a different rate for each unit of A. and B. road. The Electoral Roll form could be extended to show children, and the education rate apportionment based on the number of children between 5 to 10, 10 to 15 and 15 to 20 years on a certain date in each year. Each local authority should make its rate claim on a central authority controlling the 'national rate fund' collected by income tax. The portion of the income tax to be applied for rates should be stated each year by the Chancellor in his Budget. Similarly the services to be covered by rates must be uniform as far as possible.

Generally speaking, the size of a man's house has little relation to the benefit he is receiving from rating services: however, where this is not so, his income for tax purposes could be increased by a notional 'rate charge' (similar to N.A.V., but operating in comparatively few cases).

I am not suggesting such a system will be without complications, but it seems to me, at present, to be fairer than the existing method.

Yours faithfully,

P. E. PARKS.

Wallington, Surrey.

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Queensland Commissioner of Stamp Duty *v.* Livingston

In the Privy Council – October 7th, 1964

(Before Viscount RADCLIFFE, Lord REID, Lord EVERSHED, Lord PEARCE and Lord UPJOHN)

Death duties – Succession duty – Administration duty – Deceased's domicile not in Queensland – Estate there in course of administration – Death of residuary legatee – Whether she had beneficial interest in testator's estate – No administration in Queensland – No taking possession of testator's property there – Whether administration duty payable – Succession and Probate Duties Act, 1892, sections 3, 4, 12, 20, 55, 55 (A) – Finance Act, 1894, section 2 (1) (b) – Succession and Probate Duties Act, 1892, Amendment Act, 1895, section 2 – Succession and Probate Duties Declaratory and Amendment Act, 1935, section 2.

The testator died on November 17th, 1948, domiciled in New South Wales. He appointed three executors, all of whom were also domiciled there, and on October 13th, 1949, they proved the will in the Supreme Court of New South Wales. He left one-third of his residuary estate to his wife and two-thirds to his sons. His estate consisted of real and personal property in New South Wales and in Queensland.

The testator was survived by his widow, who died on July 8th, 1950. At the date of her death the testator's estate was still in course of administration, and no clear residue had been ascertained. The appellant claimed that a dutiable succession arose in Queensland on the occasion of the widow's death, in respect of the Queensland assets of her husband's estate. The respondent was the administrator of his mother's estate.

By section 3 of the Queensland Succession and Probate Duties Act, 1892, the word 'succession' denotes any property chargeable with duty under the Act; the phrase 'real property' includes all freehold, leasehold and other hereditaments, whether corporeal or incorporeal, in Queensland and all estates in such hereditaments; and the term 'personal property', though not including leaseholds, includes money payable under any engagement, and all other property not comprised in the definition of real property. By section 2 of the Succession and Probate Duties Act, 1892, Amendment Act, 1895, succession duty is chargeable on all property within Queensland, although the testator or intestate may not have had his domicile in Queensland.

By the Act of 1892, section 55, administration duty was imposed in respect of every grant of probate or letters of administration; and by section 2 of the Succession and Probate Duties Act Declaratory and Amendment Act, 1935, it was declared that administration duty was payable on property in Queensland or any interest therein 'belonging to any person who dies or has died after the first day of July 1918, taken possession of or in any manner administered without the grant in Queensland of probate or administration' or without resealing in Queensland.

It was contended by the appellant that at the date of her death the widow had a 'beneficial interest in property', within the meaning of section 4 of the 1892 Act, in respect of her husband's Queensland estate. He also contended that administration duty was payable under section 55 of the same Act as extended.

Held: (1) as her husband's estate in Queensland was still unadministered at the date of her death, the widow did not have a beneficial interest in the Queensland assets; that therefore succession duty was not payable in Queensland; (2) as the respondent had not taken possession of or administered the Queensland assets as administrator of the widow, no administration duty was payable.

C.I.R. *v.* Frere

In the House of Lords – November 19th, 1964

(Before Viscount RADCLIFFE, LORD MORRIS OF BORTH-Y-GEST, Lord GUEST, Lord PEARCE and Lord UPJOHN)

Surtax – Total income – Loans for less than a year – Whether interest deductible – Customs and Inland Revenue Act, 1876, section 8 – Income Tax Act, 1842, sections 163, 164, 190 – Finance (1909–10) Act, 1910, section 66 (2) – Income Tax Act, 1918, sections 36, 164, General Rules 19, 21 – Income Tax Act, 1952, sections 2 (2), 122, 123 (Schedule D), 169, 170, 200, 511, 524, Schedule 24.

In each of a number of years the appellant borrowed sums of money, and borrowed in each case for a period of less than a year. He paid interest on the loans; and he claimed to be entitled to deduct the interest in ascertaining his total income for surtax purposes. For the respondents it was contended that there was no authority for the deduction for short interest in computing total income for surtax. The Special Commissioners decided in favour of the appellant.

Held (reversing the decision of the Court of Appeal): the short interest was not deductible for surtax purposes.

C.I.R. *v.* Chancery Lane Safe Deposit and Offices Co Ltd

In the Court of Appeal – November 26th, 1964

(Before Lord Justice HARMAN, Lord Justice DANCKWERTS and Lord Justice SALMON)

Income tax – Profits tax – Mortgage interest – Charged to capital – Whether paid out of taxable income – Income Tax Act, 1952, sections 169–170.

The company owned a building comprising a safe deposit below ground and a number of offices and flats. In the war the whole of the above-ground part of the building was destroyed, but the safe deposit remained usable. From 1949 to 1958 rebuilding took place, and during those years the company borrowed sums of money which in 1957 reached a total of £650,000. Repayments began in 1958, and the whole £650,000 was repaid by 1961. For 1954–55 the company's income was £8,933; in 1958–59 it was £75,000. Interest on the loan was £2,350 in 1954–55, and in 1957–58 it was nearly £30,000. On the advice of the auditors the company in 1954–55 to 1958–59 charged a part of the interest to capital in its accounts.

In an appeal against assessments from 1954–55 to 1958–59, under section 170 of the Income Tax Act, 1952, and against assessments to profits tax it was contended by the company that although the items of mortgage interest in question had been charged to capital in its account, these items had nevertheless to be treated as having been paid out of taxable income, as the company had ample such investments to cover; and that the payments were therefore within section 169 of the Income Tax Act, 1952, and the company was not under any obligation to account under section 170 for the tax deducted. The company also contended that an agreement had been made under section 510 of the 1952 Act for 1955–56, and that therefore the assessment for that year was bad for that reason also. In relation to the assessment for profits tax the appellant contended that the items of mortgage interest in question were appropriate deductions in computing its profits for the purpose of that tax.

The Special Commissioners decided that no agreement under section 510 had been made on the point at issue; that the interest was assessable under section 170; and that it was not deductible for profits tax purposes.

Held (reversing the judgment of Mr Justice Plowman): the Special Commissioners' decision was correct.

Solution to 'A Christmas Weather Report'

The following are the answers to the questions on earlier pages of this issue, the initial letters of which spell the opening two lines of *King Richard III* –

'Now is the winter of our discontent
Made glorious summer by this sun of York'.

1. Niobe.
2. Origami.
3. Wheatley, Francis.
4. Imam.
5. Sable.
6. Tennessee.
7. Hedonism.
8. Edward IV.
9. Wegotism.
10. If.
11. Nash, John.
12. Trelawny, E. J.
13. Embracery.
14. Roquefort.
15. Oedipus.
16. Farriery.
17. Opsimath.
18. Ultimogeniture.
19. Rotavist.
20. Dentist.
21. Intaglio.
22. Sidney, Ann.
23. Cagliari.
24. Octoroon.
25. Nicholas II of Russia.
26. Tramontana.
27. Emmetropia
28. Nyren, John.
29. Thremmatology.
30. Milton, John. *Paradise Lost.*
31. Abebe, B.
32. Dekker, Thomas.
33. Enzymes.
34. Gigmanity.
35. Leningrad.
36. Oak-apple Day.
37. Ruskin, John.
38. Icosahedron.
39. Orthoptera.
40. Usucaption.
41. Smith, Sydney.
42. Sneezing.
43. Ultramontanism.
44. Mussorgsky, M. P.
45. Montesquieu, Charles.
46. Emblements.
47. Rubens, P. P.
48. Borelli, Father.
49. Yellow.
50. Transept.
51. Handel, G. F.
52. Ixion.
53. Scheldt.
54. Salisbury, Marquis of.
55. Upas.
56. Nepal.
57. Oviparous.
58. Fiasco.
59. Yarborough. 1,827 to 1.
60. October.
61. Raglan, Lord.
62. Kailyard School.

London Chartered Accountant Students' Dinner

ATTENDANCE OF NEARLY 1,500 MEMBERS AND GUESTS

NEARLY one thousand five hundred members and guests attended the fifty-first annual dinner of The Chartered Accountant Students' Society of London held at Grosvenor House, Park Lane, last Monday.

Mr Ernest F. G. Whinney, M.A., F.C.A., President of the Society, was in the chair, and among those present were: The Rt Hon. Lord McCorquodale of Newton, P.C.; Mr W. Guy Densem, F.C.A., President of the Institute; Mr Arthur E. Wicks, J.P., The Rt Hon. the Chairman of the London County Council; Sir Edmund Compton, K.B.E., C.B., Comptroller and Auditor-General; Mr R. Statham, C.B.E., J.P., F.A.C.C.A., President of The Association of Certified and Corporate Accountants; Mr J. P. Wilson, F.C.W.A., F.C.I.S., President of The Institute of Cost and Works Accountants; and Mr Edmund Burley, F.C.I.S., President of The Chartered Institute of Secretaries.

More Work for Articled Clerks

In the course of proposing the toast of 'The Students' Society', Lord McCorquodale said that he was honoured indeed to address the vast gathering of members – 'the younger generation who quite shortly were going to govern Britain'. He went on to say that all the new taxation measures foreshadowed in recent statements would mean a whole mass of new work for the Board of Inland Revenue, and not only for them but for all the accountants in the country, and from what he remembered from the year he spent in a chartered accountant's office many years ago, all the real work was done by the articled clerks. (*Applause.*) He could not help thinking, therefore, that all the new legislation would mean a whole lot *more* work for them.

Accountants and Computers

Lord McCorquodale added that he understood that there were no less than 150 ladies studying for chartered accountancy. He did not believe that the ladies would be so hard-hearted as the men and their kindheartedness would make the taxpayers very much easier in their minds.

Referring to the present age of the computer and of automation, he said that he believed the highly skilled accountant would be wanted still more than in the old days. The accountant was absolutely vital

In conversation at the reception prior to the dinner (*left to right*): Sir Harold Gillett, Bt, M.C., F.C.A., Col A. E. Young, C.M.G., C.V.O., Commissioner of Police, City of London, and Sir Harold Howitt, G.B.E., D.S.O., M.C., LL.D., D.L., F.C.A.

At the top table (*left to right*): Sir Edmund Compton, K.B.E., C.B., Comptroller and Auditor-General; Mr W. Guy Densem, F.C.A., President of the Institute; The Rt Hon. Lord McCorquodale of Newton, P.C.

to industry and commerce, as he was in so many other walks of life: all the mass of information, ill digested as it was by all those poor people who were trying to run industry, needed to be sifted and processed by trained minds before it could be of use. He believed that the accountant's training fitted him for that job better than anybody else, and he also believed that this aspect was going to be one of the most vital if industry were to succeed in the future.

Accountant's Friend?

Lord McCorquodale said that he wondered if they had realized that Lord Ritchie was not only a friend of the printer but also of the accountant, because demanding as the Stock Exchange Council were that every company should produce half-yearly or quarterly figures as well as the annual accounts would mean double the work for the accountant and double the work for the printer.

Replying to the toast, Miss E. A. Hattley, Chairman of the Committee of the Students' Society, thanked Lord McCorquodale for his kind words and said that she could well remember an occasion when members of the Committee were required to meet the President, Vice-President and Past Presidents in order that they would know them on future occasions and she had overheard two Past Presidents discussing girl articled clerks, and one said 'Well, they are all the thing now, you have to have them to deal with the female tax inspectors'. (*Laughter.*)

New Premises

Commenting on Society matters, Miss Hattley said that last Friday they had moved premises to 43 London Wall. She asked the students present not to use the new library there until a few days had elapsed as the rooms were piled high with packing cases at the present time.

Despite all the difficulties, arrangements had been made this year for the intensive introductory courses, but, said Miss Hattley, from their experience of them it would appear that Finalists would be better able to deal with the courses.

Referring to the recent annual conference of the Union of Chartered Accountant Students' Societies

Miss E. A. Hattley, Chairman of the Students' Society Committee, with the President of the Society, Mr E. F. G. Whinney, M.A., F.C.A.

(reported elsewhere in this issue), Miss Hattley said that among the matters discussed was union with Europe. In 1962 the Institute had joined the European Union of Accountants, and she thought the time was overdue when the students should go 'charging in there as well'. She thought it was easier for students to understand the problems of today rather than the older members of the profession, and they would approach the whole matter with open minds.

In conclusion, Miss Hattley expressed the appreciation of the Society for all the work during the year of the President, Mr Whinney, the Secretary, Mr R. J. Carter, and the Deputy Secretary, Mr Derek du Pré.

Historical Precedent

Proposing the toast of 'The Guests' Mr Whinney pointed out that it was the first occasion on which the Chairman of the Committee of the Students' Society had been a member of the weaker sex, but those members present who had seen her in action would agree that 'weaker' was not the appropriate adjective. He had no qualms at all about the fact that they had a lady as their chairman. History seemed to show that Englishmen generally did rather well under feminine leadership. After Boadicea they had Queen Elizabeth I, then there was Queen Anne – and during that period England had her greatest military successes – and then during the reign of Queen Victoria there had been an era when the nation's influence was never greater. He did not think that when the history of the present time came to be written they should be found to have done too badly.

Mr Whinney said that he did not intend to mention the activities of the Society, but he wished to stress the importance of the week-end courses at Oxford and Cambridge. He hoped that all students who had an opportunity to go would do so. For a short time those who attended met together to discuss anything which was germane to the widespread ramifications of the profession, and perhaps for the first time they acquired an insight into the purpose of their calling. It was a few days very well spent and had many moments of enjoyment.

Ageing Students

Replying to the toast, Mr W. Guy Densem, F.C.A., the President of the Institute, expressed agreement with the remarks of Lord McCorquodale on the part to be played by the accountant in modern times and added that it was important that the Institute should provide a continuity of trained and qualified people.

Mr Densem then mentioned the matter of visiting Europe and he thought it was 'a marvellous idea'. But he stressed that the average age of students in Holland, for instance, was between 30–35 and he did not think students realized how lucky they were in England!

Mr E. W. Eldridge, O.B.E., Public Trustee (*left*), with Mr J. P. Wilson, F.C.W.A., F.C.I.S., President of The Institute of Cost and Works Accountants, and Mr R. Statham, C.B.E., J.P., F.A.C.C.A., President of The Association of Certified and Corporate Accountants.

Union of Chartered Accountant Students' Societies

ANNUAL CONFERENCE AT CAMBRIDGE

THE annual conference of the Union of Chartered Accountant Students' Societies was held in Cambridge on Friday and Saturday, December 11th and 12th. Fifty-nine delegates from twenty-nine students' societies, with Mr W. K. Wells, B.A., F.C.A., in the chair, took part in seven hours of discussion.

The conference opened with a prayer by Canon Hugh Montefiore, Vicar of Great St Mary's Church, Cambridge, and a welcome by the President of the East Anglian Students' Association, Mr M. J. F. Shaw, F.C.A. The first business was the admission to the Union of the Huddersfield Students' Society, a new society recently formed. All except one of the students' societies of the Institute now take part in this annual conference.

The conference received two statements by the Council of the Institute on the discussion between members of the Council and the Conference Liaison Committee. The statements had been issued in response to the request of the last conference; they set out the matters discussed and the comments and decisions which the Council and its committees had reached after due consideration of the discussion. Arising out of the Council's statements, the conference discussed the review of the functions of students' societies that the Council was undertaking; there was strong emphasis on the need for firm guidance and definition of the function and on the importance of securing that the views of students' societies themselves be made available to the Council before final decisions were reached as a result of the review. The conference agreed that it was necessary to preserve the informal and confidential nature of the discussion between members of the Council and the Liaison Committee if the effectiveness of the contact were to be maintained.

There was a great deal of discussion on methods of tuition. It was agreed that in the circumstances the correspondence course had to be the basis of study for the examinations. But it should be supported by release from office work, either on a daily basis or for a period of time, so that oral tuition could be used to support the correspondence course. The major difficulty was that in most places (though there were a few encouraging exceptions) the staffs of the local authority colleges had very little experience of the requirements of the articled clerk and their courses were quite inadequate. What was required was part-time teaching staff who were actively engaged in the practice of the profession, as were most of those who ran the correspondence courses. It was felt that the long-term aim should be accountancy schools staffed by practising chartered accountants and run by the Institute. In this way the responsibility of the Institute for the professional education of articled clerks would be fully recognized. It was agreed, however, that at the present time it was completely impracticable and there appeared to be no immediate solution to the problem of the lack of teaching members of the profession.

Information was given on the very great difference between the grants given to articled clerks by local education authorities in different areas. The Council of the Institute were asked to ensure that directors of education were made aware of the conditions of articles and study, and to circulate information on the support that was known to be available.

The policy of the Council of the Institute in loading upon articled clerks the full cost of protecting the standard of admission to the Institute and of its educational activities by charging it to the examinations account and increasing preliminary and examination fees was deplored; the Liaison Committee was asked to bring the question up again to the Council.

Methods of securing an increase of the salaries of articled clerks in those areas where they were lowest were discussed and also the collection and circulation of information on this subject.

The conference also spent a considerable time discussing the six months' period of industrial experience during articles, study leave, contacts with accountancy students' bodies abroad, students' societies' library facilities and other subjects of domestic importance.

The following officers were elected for 1964–65:

Chairman: Mr W. K. Wells, B.A., F.C.A.

Hon. Treasurer: Mr P. H. Dobson, J.P., F.C.A.

Hon. Lecture Panel Secretary: Mr D. C. Farthing, F.C.A.

Hon. Auditor: Mr P. L. Neild, T.D., F.C.A.

Hon. Secretary: Mr R. J. Carter, B.COM., F.C.A.

Liaison Committee with the Council of the Institute: Messrs W. G. Atkins, A. Kennard, C. M. Plumbe, T. G. Price, E. K. Richardson, B.SC.(ECON.), J. H. T. Scothorne, D. J. Taylor, and the Chairman and Secretary.

After the adjournment of the meeting on Friday evening, the East Anglian Students' Association arranged a dinner for the delegates in the Hall of St Catharine's College with Mr M. J. F. Shaw, F.C.A., the President of the Association, in the chair.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS SABA & Co (International firm) announce that they have opened an office in Dubai (Arabian Gulf) as from December 1st, 1964, at Ahmad Ben Majed Greir & Sons Building (P.O. Box 1222).

MESSRS TURTON, ROSS & CO, Chartered Accountants, announce that as from December 31st, 1964, the practice under the name of TURTON, ROSS & CO (Messrs C. E. TURTON, F.C.A., F. L. OLDHAM, F.C.A., and J. G. MEDCALF, F.C.A.) at Peterborough will be dissolved; the practice of WELCH & CO, Chartered Accountants (Messrs J. C. WELCH, F.CA., and H. STONE, F.C.A.) will be dissolved as from the same date, owing to the retirement of Mr J. C. WELCH; and as from January 1st, 1965, Mr J. G. MEDCALF and Mr H. STONE will carry on in partnership together under the name of MEDCALF, STONE & CO, Chartered Accountants, at 35 Priestgate, Peterborough, and at 28 Priestgate, Peterborough.

MESSRS WHINNEY, MURRAY & CO, announce with deepest regret the sudden death on December 6th, 1964, of Mr B .W. A. ELLINGHAM, F.C.A., the resident partner in Kuwait.

Appointments

Mr R. L. Barrington, A.C.A., A.C.W.A., has been appointed chairman of the General Council of The Organization and Methods Society.

Mr J. W. Cairns, F.C.A., financial controller of the John Wallace Group, has been appointed to the board of each of the Group's divisional management companies.

Mr Henry La Costa, F.C.A., has been appointed a director of Honeywell Controls Ltd, to head the Electronic Data Processing division in Britain.

Mr W. W. Fea, B.A., F.C.A., has been appointed deputy chairman of G.K.N. Rolled & Bright Steel Products Ltd.

Mr G. J. H. Legg, A.A.C.C.A., has been appointed Chief Accountant of the Prudential Assurance Co Ltd, from January 1st, 1965.

Mr S. Mann, F.C.A., has been appointed deputy comptroller of The Bowater Paper Corporation Ltd.

Mr W. G. Ridd, M.V.O., F.A.C.C.A., has been appointed director of the Newspaper Society.

Mr F. C. Rowbottom, F.C.W.A., has been appointed a director of Guest, Keen & Nettlefolds Ltd, and Mr G. T. Holdsworth, F.C.A., previously deputy group chief accountant, succeeds him as group chief accountant.

IN PARLIAMENT

Company Law: Jenkins Report

MR GRANT asked the President of the Board of Trade what steps he proposes to take to implement the recommendations of the Jenkins Report on Company Law.

Mr WILLIAM CLARK asked the President of the Board of Trade whether it is the intention of Her Majesty's Government to introduce legislation implementing the recommendations of the Jenkins Report; and if he will make a statement.

Mr JAY: Proposals for new company legislation, in which the recommendations of the Jenkins Committee will be taken fully into account, are in preparation. The legislation will not be introduced during the current session.

Hansard, Dec. 10th, 1964. Oral Answers. Col. 1807.

Resale Price Maintenance

Sir B. JANNER asked the President of the Board of Trade how many companies have claimed registration of their resale price maintenance practices under the Resale Prices Act, 1964.

Mr JAY: I understand that the Registrar has received some seven hundred applications from firms and trade associations claiming registration under the Resale Prices Act.

Hansard, Dec. 10th, 1964. Written Answers. Col. 214.

Burma: Retroactive Tax Assessments

Mr VAN STRAUBENZEE asked the Minister of State for Foreign Affairs what representations he made to General Ne Win, Chairman of the Revolutionary Council of the Union of Burma, on his recent visit to London, as to the effect upon shareholders in the United Kingdom of retroactive tax assessments now levied by the Government of Burma on business and firms in that country.

THE MINISTER OF STATE, FOREIGN OFFICE (Mr WALTER PADLEY): None, Sir. Her Majesty's Ambassador at Rangoon has, however, made representations to the Burmese authorities about the severe effect on British commercial interests of the new retroactive Burmese tax rates which were introduced on October 1st last year.

Hansard, Dec. 14th, 1964. Oral Answers. Col. 3.

3½ Per Cent War Loan

Mr POUNDER asked the Chancellor of the Exchequer what is the total sum invested in 3½ per cent War Loan at the last convenient date.

Mr MACDERMOTT: £1,909·4 million on October 26th, 1964.

Mr POUNDER asked the Chancellor of the Exchequer what is the total number of persons who currently have sums invested in 3½ per cent War Loan at the last convenient date.

Mr MACDERMOTT: No information is available on the total number of persons currently holding 3½ per cent War Loan. The total number of accounts held on all registers is approximately 1·1 million, but some holders have more than one account and some accounts are in the names of more than one person. There is also a small amount held in bearer form.

Hansard, Dec. 14th, 1964. Written Answers. Col. 18.

Banks: Guidance

Mr STRATTON MILLS asked the Chancellor of the Exchequer whether the letter from the Governor of the Bank of England asking banks to restrict loans was

sent with his authority; if it applies to Northern Ireland and if he will make a statement.

Mr CALLAGHAN: In accordance with normal practice, the guidance given to the banks was the subject of consultation between the Governor of the Bank of England and myself. It was addressed to all banks in the United Kingdom.

The banks were asked, in preference to lending for less essential purposes, to give the fullest possible facilities to exports and productive investment, and to have regard to the Government's aims on regional development.

Hansard, Dec. 14th, 1964. Written Answers. Col. 18.

COMMONWEALTH AND STERLING AREA STATISTICAL ABSTRACT

The eighty-fourth issue of the *Commonwealth and Sterling Area Statistical Abstract*, now published, summarizes the external trade of Commonwealth and sterling area countries individually and as a whole, showing the movement of goods to and from other parts of the world up to the end of 1963. The detail is supplemented by index numbers of the volume and value of sterling area trade and by tables on related subjects such as movements in prices of commodities important in the exports of Commonwealth and sterling area countries, and the production and consumption of selected commodities. The *Abstract* also contains population statistics, and balance of payments tables for a number of countries.

EXETER CHARTERED ACCOUNTANTS' ANNUAL DINNER

'We, as accountants, are in a unique position in that our word is accepted not only in the United Kingdom but throughout the world, and that is a position of which we are justly proud,' declared Mr R. McNeil, F.C.A., Vice-President of The Institute of Chartered Accountants in England and Wales, at the recent annual dinner of the Exeter and District Branch of The Bristol and West of England Society of Chartered Accountants, held in Exeter.

Mr McNeil, who was responding to the toast of 'The Institute', went on to say that the profession was looked upon by the Government as providing information completely, truly and accurately, allowing at the same time to preserve to its clients a complete independence to present their case in the best possible light. 'It is important the profession should maintain all these standards, and preserve its position as one of the great bastions of finance in the world.' Referring to the role of computers in present-day business, Mr McNeil said that the Council of the Institute was taking every action to keep the profession in step with electronic data processing techniques.

Mr J. G. Simpkins, F.C.A., President of the Branch, who presided, proposed the toast of 'The Guests'. Other speakers were Alderman Patrick Spoerer, Mayor of Exeter; Mr John Foot, B.A.; Mr L. M. Tate, Principal of Exeter Technical College; and Mr J. E. C. Wheatley, M.C.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

Management Accounting Course

An intensive post-qualifying course in management accounting services was held this week from December 13th to 18th, for members of The Institute of Chartered Accountants of Scotland at 'Chesters', the residential centre for the University of Strathclyde.

The course had been arranged by the Council of the Institute to enable members to keep up to date with this important subject – important both to members in practice, so that they can give the best service to their clients, and to members in industry.

The lecturers were drawn from the university staff, industry, and consulting firms. In addition to a formal lecture programme, full use was made of group discussion of case studies, and among the subjects discussed were: 'The nature and function of management'; 'Management organization'; 'Budgets and planning'; 'Office organization and methods study'; and 'Office equipment, accounting machines and automatic data processing'.

THE CERTIFIED ACCOUNTANTS' LODGE

At the installation meeting of The Certified Accountants' Lodge held on December 7th, at Colonial House, Mincing Lane, London EC3, the Worshipful Master, W. Bro. J. E. Harris, installed his successor, Bro. R. G. L. Jobson, for the ensuing year. The following officers were also appointed:

Bro. D. W. Page, *S.W.*; Bro. H. A. P. Miller, *J.W.*; W. Bro. J. P. Shaw, P.P.G.ST.B.(HERTS) *Chaplain*; W. Bro. C. S. Setchell, *Treasurer*; W. Bro. C. R. M. Davidson, *Secretary*; W. Bro. A. C. S. Meynell, L.G.R., *D.C.*; W. Bro. R. A. Bishop, *S.D.*; Bro. K. H. Bickmore, *J.D.*; W. Bro. Edgar Spencer, P.P.A.G.REG.(NOTTS), *A.D.C.*; W. Bro. J. H. Hills, L.G.R., *Almoner*; Bro. F. A. Gommer, *Organist*; Bro. W. Rapson, *I.G.*; Bro. A. W. Nelson, W. Bro. C. G. A. Hodges and Bro. E. H. Sparrow, *Stewards*; W. Bro. A. J. Courtney, L.G.R., *Tyler*.

The address of the secretary of the Lodge is 42 Hollingbourne Avenue, Bexleyheath, Kent.

MANCHESTER CHARTERED ACCOUNTANTS STUDENTS' SOCIETY

New Secretary

At a recent meeting of the committee of the Manchester Chartered Accountants Students' Society, Mr R. M. G. Carter, B.A., A.C.A., was elected as honorary secretary in place of Mr J. Townsley, B.COM., A.C.A. Communications should be addressed to Mr Carter at the offices of the Society, 46 Fountain Street, Manchester 2.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Members' Library

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

Air Transport Policy; by S. Wheatcroft. 1964. (Michael Joseph, 25*s*.)

The Amalgamation of Companies . . .; [a lecture] by J. T. Dowling and [a paper] by J. Waldie. Edinburgh. 1964. (Accountants Publishing, 3*s*.)

Better Factories. (Institute of Directors.) [1964.] (I. of D., 21*s*.)

Competition for Consumers: a study of the changing channels of distribution; by Christina Fulop. 1964. (Deutsch, 30*s*.)

Control of a Business; by J. Holbrook and T. Prichard. 1964. (Business Publications, 40*s*.)

The Impact of Currency Change on Accounting Procedures; by N. H. McIntosh. [Sydney]. 1964. (Institute of Chartered Accountants in Australia, presented.)

The Income Tax Act, 1922 . . . (as modified up to the 31st October, 1963). (Pakistan) Karachi. 1964. (Government of Pakistan Press, Rs2.)

An Outline of Estate Duty in Scotland; by G. H. Brown nd J. M. Halliday: second edition. Edinburgh. 1964. (W. Green, 25*s*.)

Profit, Revenu et Résultat de L'Entreprise; by M. Devillebichot. Paris. 1964. (Sirey, 34*s*.)

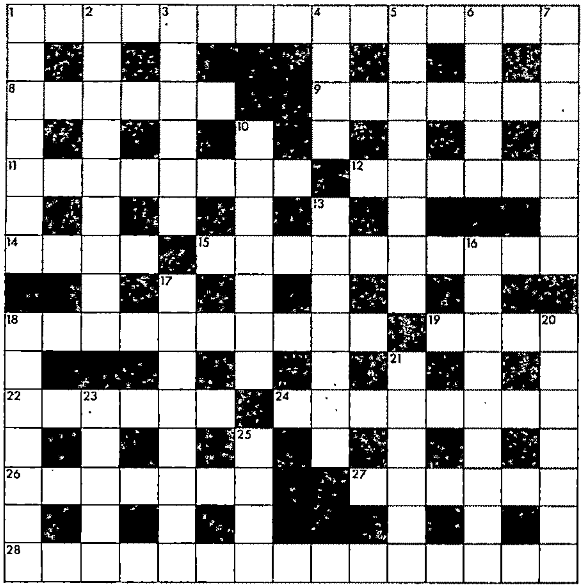
Silke on South African Income Tax; by A. S. Silke: third edition. Cape Town 1963. (Juta, 150*s*.)

Smith's Taxation: sixty-eighth edition; by A. E. Bevan. 1964. (Advertiser Press, 21*s*.)

The Techniques of Communication; by C. S. Deverell. 1964. (Gee, 27*s* 6*d*.)

CHRISTMAS CROSSWORD

Compiled by Kenneth Trickett, F.C.A.



CLUES ACROSS

1. Ships? Yes and no (8, 7).
8. The largest possible minority (6).
9. Outlined the bill – a short edition (7).
11. Re-examined judicially with a central purpose (8).
12. A company is heard to come as an accession (6).
14. Could be an auction in Cheshire (4).
15. Submissions to arbitration required by prospective employers (10).
18. Society embezzler who ventures in the market (10).
19. Put up with a sort of 18 (4).
22. Commodity sent abroad without carriage (6).
24. Legal term used without capital for an urgent message (8).
26. One politician gave a false impression, though expressed indirectly (7).
27. Many go to one of the Temples for this social function (6).
28. Stranger offers penny, perhaps, to designate Acts of 1891 and 1892 (6, 9).

CLUES DOWN

1. Goods dealt in by 19 (7).
2. Estimate too highly concerning utility (9).
3. It's the amended rentcharges (6).
4. A number of personal allowances and reliefs (4).
5. Scheme about the arrangement to provide a blank for stamping as a coin (8).
6. Coach for a legal guardian (5).
7. Books with Indian money under the shelf (7).
10. Erroneously reveals a few not belonging jointly (7).
13. Get back to obtain a judgement (7).
16. Settlement of debts, possibly at the custom house (9).
17. Statistical value when measure is shown to lie out of position (8).
18. In sections 325 and 326, Companies Act, 1948, this expression includes any officer charged with the execution of a writ or other process (7).
20. They are said about coins, ticks, etc. (7)
21. Entries left in the account (6).
23. Examination questions exchanged for money (5).
25. Compile from 21 with nobs on (4).

The solution will be published in next week's issue.

The Recognized Weekly Journal for the Accountancy Profession throughout the World

THE ACCOUNTANT

ESTABLISHED 1874

DECEMBER 26TH, 1964 VOL. CLI. NO. 4697

CONTENTS

Looking Back on 1964

TO the majority of accountants, no year which contains two Budgets can be called uneventful although the best, or worst, of the brunt of assimilating fiscal changes has probably still to come next April. For the rest, 1964 was on the whole unremarkable in its legislative demands on the busy practitioner. The most eagerly awaited of all reforms – that of company law – appears to be as far away as ever, and the first hundred dynamic days of the new Government are drawing pacifically to their close without any sign of an announcement relating to this subject. Progress from another quarter, however, was made during the year when on April 1st the new Irish Companies Act of 1963 became operative. Said to be the biggest piece of legislation put forward since the establishment of the Republic, the new Act is in some respects more in line with modern trends than is its United Kingdom counterpart of 1948.

In the prescriptive field, the American Institute of Certified Public Accountants issued a new codification of its auditing statements. As a result, the auditor, if he has not examined the comparative figures for previous years given in the financial statement under review, must declare the fact in his accompanying report. Also, he must express an opinion on or specifically disclaim responsibility for any supplementary data given in his long-form report. Fresh thinking was apparent also in the revised and expanded series of statements on professional conduct issued in October by the Council of The Institute of Chartered Accountants in England and Wales. Particular attention was paid to the publicity which descends on the member as broadcaster, lecturer or election candidate, and to the procedure involved when a change in a professional appointment is proposed.

Perhaps the most revolutionary development on the domestic side of the profession in 1964 was the decision, announced in January, of the three bodies of chartered accountants in the British Isles, The Association of Certified and Corporate Accountants and The Institute of Cost and Works Accountants to inaugurate a joint post-qualification Diploma in Management Accounting Services, possession of which would require a high standard of examination performance and of practical experience. It was further stated that the English and Irish Institutes also intended to create a junior qualification, to be gained by examination only, called a Certificate of Management Information. Fears have been expressed that the creation of such supplementary awards might weaken the standing of the ordinary professional qualifications but this possibility has clearly been discounted by the members

of the participating bodies, all of whom have now ratified the scheme. It is clear from the conditions of entry that the joint diploma will be no easily won distinction and it is on this, and on the number who come forward to attempt the testing course, that the success of the venture may turn.

The outstanding professional conference of the year was the Congress of the Union Européenne des Experts Comptables Economiques et Financiers in Vienna at the beginning of September – the first to take place since the entry into U.E.C. of the four principal accountancy bodies of Great Britain and Ireland and of those in Holland and the Scandinavian countries. At home, and in a long season which extended from the Association's week-end school at Cambridge in April to the National Taxation Conference at Torquay in October, accountants foregathered in friendship to discuss a wide variety of professional problems. It is pleasing to note that this year the New Zealand Society of Accountants held its first residential summer school, the venue being the University of Otago; and the Transvaal Society of Accountants celebrated the diamond jubilee of its foundation.

At least three publications of outstanding interest to accountants appeared in 1964. The first, in point of time, was the report on the Practitioner Inquiry produced by the Economist Intelligence Unit for the English Institute. This document disclosed much valuable information but because of the non-participation of the largest firms, the picture presented was necessarily incomplete. Two possible consequences of the report are the upgrading of fees and an acceleration towards amalgamation of small and medium-sized practices. The second publication of note was the *Manual of Computer Systems* edited by Mr BRIAN A. MAYNARD, M.A., F.C.A., A.C.W.A. Welcomed as a standard work of reference of the highest quality in this new field of recording, a quarterly up-dating service reporting the latest developments will be maintained.

Thirdly, the letter circulated in August by the Chairman of the London Stock Exchange to the chairmen of public companies suggesting ways in which published statements could be made more helpfully informative to shareholders and investors was studied with keen interest by members of the profession in practice and in industry whose special concern is either to prepare or audit such accounts. It was satisfying to observe that all Lord RITCHIE's directives had already been advocated by writers in these columns at various times in the past but that in no way detracts from the cogency of his appeal.

The awareness of the accountancy profession to the demands of the times was questioned this year in a number of articles in the national Press. By far the most constructive of these critics was a writer in *The Economist* who saw most accountants, mainly engaged in auditing, as 'humble workers in an old vineyard' likely, unless their leaders looked forward instead of back, to be superseded by computers on the one hand and consultants on the other.

Two other warnings to the profession were sounded in 1964. One was a report, written by Lord FRANKS at the invitation of a small group of business men representing various commercial and economic interests, advocating that two business schools of the highest quality be established in London and Manchester with university connections. The other was a report by the National Advisory Council on Education for Industry and Commerce – a body sponsored by the Ministry of Education – proposing the institution of a higher award for business studies broadly on the lines of the Diploma in Technology started in 1961. The consequences of these schemes, if they come to maturity, could be twofold. The effect on recruitment for the accountancy profession might be seriously affected and, again, many qualified accountants seeking a career in industry might find their progress blocked by bright young 'diplomatists' or graduates from business schools who had taken a more direct route to the executive suite.

Almost the last event of significance in the year was the reported resignation of a firm of auditors in an instance where its 'coverage by direct audit appointment' was not enough to make it feel justified to express a view on the client's consolidated accounts. Another firm of equal repute but with, it is presumed, no greater brief was invited to fill the vacancy and accepted. The resulting question as to how much 'coverage' is required (the retiring auditors thought that 24 per cent of the total tangible assets was not enough) raises issues of such potential magnitude that the Councils of the professional bodies might well be urged to supply an authoritative answer.

Intentions and Reality on Incomes

THE measure of publicity and the obvious elation of the Government spokesmen on the occasion of the signing of the 'joint statement of intent' was understandable, but it would be foolish to over-estimate the importance of what is, by general consent, only the first stage in the working out of an incomes policy. Even Mr BROWN's obvious satisfaction at having brought the two sides of industry together needs to be tempered by a consideration of the facts.

Having, ever since Mr SELWYN LLOYD's guiding light proposals and the formation of the now defunct National Incomes Commission, refused to co-operate with the last Government on a wages policy, the trade union representatives could hardly refuse to go along with Mr BROWN, not least because they had indicated before the election that they would help a Labour administration. It was the willingness of the Trades Union Congress to sign which was the key to the situation. That achieved, the employers' organizations would have been incredibly stupid on political grounds alone to have withheld their signatures.

What precisely has the joint signing of the declaration of intent achieved? First, it compels both sides of industry and, more especially, the trade unions to recognize the need for an incomes policy and, having stated that they would do something about it, proceed to prove to the electorate that they will stand by the declaration. Furthermore, to the extent that the Government is a joint signatory, the declaration signifies that the administration is participating in actual planning decisions relating to the economy. This was never recognized, either with the 'Three Wise Men' or the N.I.C., although a precedent was created by the National Economic Development Council for joint participation of all three interests.

The mere fact, as Mr BROWN remarked, that no democracy had yet achieved a workable incomes policy, underlines the magnitude of the task. It is therefore necessary to examine the steps proposed in order to judge whether Britain's new administration will succeed where others have failed.

First, it is recognized that British industry must become more dynamic in order to boost the rate of growth in the national product nearer the rate of increase in incomes. To this end the T.U.C. accepts the obligation to 'encourage and lead' a sustained attack on obstacles to efficiency and to strive for the adoption of more rigorous standards of performance. The employers accept the same objectives, but in their case the Government will keep a continuous watch on the general level of prices and incomes, i.e. profits and dividends.

Put more bluntly, what the plan requires of the trade unions is that where two workers are doing the work of one, the redundant worker shall be utilized more efficiently, i.e. moved. In the case of employers, the first need is to stop the long-established practice of passing on every wage increase in higher prices and to abandon the proliferation of restrictive schemes such as uniform tenders, resale price maintenance, which protect profits and labour alike at the expense of the consumer. What proposals are made to achieve these objectives?

It may be assumed that the Government will give strong support to management to streamline its labour force; but what form will the support take? Is Mr SELWYN LLOYD's payroll tax to be resuscitated – this time with teeth? Is the Government proposing to contribute to the cost of severance pay schemes for redundant labour? Will the Government create an adequate supply of re-training centres and ensure that the affected trade unions will accept the trainees as full members? Over what period of time is the new scheme to evolve?

Assuming that the overall increase in incomes is fixed at a level corresponding to the growth in the national product, do all wages rise annually to the same extent? If not, so that some sections are to get more than, say, $3\frac{1}{2}$ per cent; who gets less? The reaction of the railway clerks to the latest discriminatory pay awards brings out the problem all too clearly. As for the Price Review Body, not yet created, has anyone a notion of its proposed *modus operandi*? It is hardly necessary to stress the obvious questions it poses.

Every step which suggests that an incomes policy may be achieved is to be welcomed, but many more steps will be needed to reach that goal.

The Corporation Tax – IV

CONTRIBUTED

A COMPANY which is controlled by not more than five persons is normally liable to surtax directions if it has not distributed to its members in a particular year or period a reasonable part of its income from all sources. And since 'person' in this context includes persons who are relatives of one another, nominees, partners, and beneficiaries under a trust or the estate of a deceased person, it is very difficult for a family company to avoid being 'controlled', unless it is a subsidiary of a company not liable to surtax directions, or 25 per cent of its voting shares are held by the public and are quoted and dealt in on a Stock Exchange (Income Tax Act, 1952, section 256). But section 246 of the Act prescribes certain tests of adequacy of distribution of income, so that in practice some controlled companies pay no dividends at all year after year, others distribute a fairly high proportion of available income, while the average distribution is generally said to be about 35 per cent of the whole.

Since earned income is more valuable to the owners of controlled companies than dividends, and corporation tax will leave more undistributed profits than income tax and profits tax combined, it is scarcely surprising that the Chancellor should contemplate some action to safeguard the revenue against loss in the case of controlled companies, which are doubtless what he is referring to when he speaks of 'certain types of companies', including the so called 'one man' companies. Assuming corporation tax at 35 per cent and taking income tax at the present rate of 7*s* 9*d* in the £, the Revenue should be no worse off under the new scheme of things if the average distribution of controlled companies were raised from 35 per cent to 42·5 per cent of available income. This could be done with little or no change in the existing law by giving a more stringent meaning to the word 'reasonable', or the loss could be offset by ensuring that companies which now pay no dividends are brought into the tax net, even at the expense of the 'current requirements of the company's business . . . (and) such other requirements as may be necessary or advisable for the maintenance and development of the business' (section 246). A Scylla and Charybdis sort of situation would then arise. A liberal dividend policy would prevent dynamic companies from developing at a 'rapid pace through the use of their ploughed back profits', while a conservative policy would bring down upon them surtax directions.

If things become too difficult, and assuming that section 256 of the 1952 Act remains intact, there is the possibility (not always a popular one) of becoming a subsidiary of a non-surtax company, or (if the company is of sufficient size) of placing 25 per cent of the company's voting shares with the public. Up to now (though the position could be changed somewhat by the proposed Federation of Stock Exchanges) it has been possible for a family company with a capital of no more than £100,000 to £150,000 (provided profits are adequate etc.) to obtain a quotation for its shares on a provincial stock exchange by means of a 'placing' or an 'introduction'. The latter is a comparatively cheap and simple matter. The owners of the controlled company's voting shares make 25 per cent of them available to the market and the company's broker sells them to the public through other brokers in the usual way; but particulars of the company must be advertised in the form of a prospectus in at least one local newspaper and the rules of the Stock Exchange must, of course, be complied with. The main difficulty if the company is small and the shares not very attractive may be in getting buyers for the 25 per cent before the end of the year or other period for which the company's accounts are made up (sections 245, 256 (5)). If this is not done the company will still be liable to surtax directions in that year or period. A placing can be rather more expensive, but can ensure more speedy disposal of the shares.

Preference Shares

While 'normal' debenture interest will be deductible in computing liability to corporation tax, the Chancellor makes it clear that no deduction will be given for dividends on preference shares.

It has been widely suggested that the 'solution' to this problem is to substitute unsecured debentures for preference shares, if the latter

amount to an appreciable proportion of total capital. It may, therefore, be of interest to examine this possibility. If a company has redeemable preference shares in issue, section 58 of the Companies Act, 1948, provides that no such shares shall be redeemed except out of profits of the company which would otherwise be available for dividend (when a capital redemption reserve fund, which is not to be confused with the sinking or reserve fund constituted before redemption, has to be formed) or out of the proceeds of a fresh issue of *shares* made for the purpose of the redemption. There is no power under the section to redeem the shares out of an issue of debentures, but the capital reduction procedure under section 66 of the Act, involving confirmation by the Court, is not normally required. Preference shares may be made redeemable by a specified date, or at the option of the company, or by a specified date or earlier at the option of the company; but the directors are usually empowered by the articles of association to carry out the redemption without recourse to a general meeting. In present circumstances holders of redeemable preference shares are likely to be paid off as soon as possible.

Most preference shares, however, are not redeemable, and cannot be converted into redeemable preference shares, even as part of a scheme of arrangement (*Re St James's Estates Ltd* (1944,) Ch. 6). They may be made redeemable only on issue. Under section 66, however, a company may, if so authorized by its articles, by special resolution reduce its share capital subject to confirmation by the Court. Usually capital is reduced where a company is over-capitalized or has suffered a loss of capital, but the jurisdiction of the Court to confirm a reduction of capital arises whenever the company seeking reduction has duly passed a special resolution to that effect (*Poole v. National Bank of China* (1907), A.C. 229). On the other hand, if the judge is of the opinion that the reduction should not be confirmed he has an absolute discretion to refuse it (*Prudential Assurance Co Ltd v. Chatterley Whitfield Collieries Co Ltd* (1949), A.C. 512). Again, the Chancellor's statement says:

> 'the full details of the schemes I shall present next April will, of course, have to take account of, and guard against, any dangers of action that might be taken to avoid or artificially to reduce the normal liability to tax'

so that provisions could be included in the next Finance Bill requiring the confirmation of the Court (where there is no loss of capital) to be withheld where the main purpose or one of the purposes of the reduction of capital is to confer a tax advantage on the company. Moreover, having regard to the Labour Party's wholesale dislike of any form of tax avoidance, such legislation could be retrospective.

Overseas Income

Probably no part of the Chancellor's statement has given rise to so much criticism and been so keenly resented on the grounds of unfairness and its damaging long-term effects on the economy as that which says:

> 'a company which enjoys [*sic*] overseas income that has suffered overseas tax (will) receive credit for overseas tax only against the corporation tax to which it is liable'.

This proposal, if implemented, can have a sharply adverse effect on companies with extensive overseas interests. In the case of British Petroleum, for example, its overseas tax rate is in the region of 56 per cent, but in the current year, due to the disallowance against tax of royalties payable in foreign countries, it is said to be nearer 60 per cent. Under the present system of British taxation this company (in which the Government is a majority shareholder), because of its heavy tax bill overseas has a net United Kingdom tax rate of nil, and its dividend payments like those of other British companies, cost it nothing in extra tax. Under the new tax system, with overseas tax allowed only against corporation tax and dividends, in effect, payable gross, it has been estimated by *The Financial Times* that British Petroleum will be faced with the choice of seeing its retentions cut by £20 million a year, or of topping its dividend by two-fifths to maintain retentions at the same figure. And in the case of Shell transport the prospective annual loss is said to be even higher at £30 million.

It follows, of course, that the higher the overseas tax rate and the greater the proportion of overseas income, the worse a company will be hit. This is strikingly illustrated in the case of Bowater Paper. Its gross profits for 1963 were £11·2 million, or £5·7 million after tax. After allowing for minority interests etc. £3·1 million net were paid out in dividends and £1·7 million were retained. Some £8 million of gross profit or £4 million of net profit came from North America, so that had British corporation tax been in operation in 1963, dividends at the same rate would have cost £5·06 million gross and

retentions would have fallen from £1·7 million to a mere £200,000. Another company which would seem to be injuriously affected is Glaxo, which has large interests in India where the tax rate is around 60 per cent, while another such company is Burma Oil, which is also big in India and is apparently liable to be hit on other scores.

It is all a far cry from dynamic growth through the use of ploughed-back profit. The Chancellor is, of course, not blind to this and hints at the possibility of transitional provisions to ease the blow. But life, in the case of companies, is long and transitional provisions are short, so that this olive branch, if it materializes, is scarcely likely to do more than scratch the surface of the problem. Or does the olive branch itself contain something quite ominous? Can it be that by the time the transitional provisions run out, say in three years' time, the corporation tax will have risen to a rate per cent which effectively bridges the gap between it and overseas tax at 50 per cent or more?

The minority report of the Royal Commission (previously referred to) made much of the fact that the corporation tax would enable company taxation to be raised or lowered without interfering with personal taxation.

This, of course, hardly justifies turning the present system upside-down, since the same result can, to some extent, be obtained by adjustments to the rate of profits tax. But it is not to be overlooked that an increase in corporation tax from 35 per cent to 40 per cent means an increase of 14·3 per cent in company taxation, while an increase of 1*s* in the £ in profits tax, combined with income tax at 8*s* 3*d* in the £, represents an increase of only 8·89 per cent.

Possible Moves

What can companies with large overseas incomes do? It is perhaps a simple matter for an investment trust to sell penalized overseas investments and re-invest at home. For insurance companies the problem is not simple since they also operate in overseas territories. Companies with world-wide interests but likely to suffer unduly from the Chancellor's tax proposals may well be tempted to move their place of central management and control abroad, if they can obtain Treasury permission to do so, and companies whose trading operations are mainly conducted abroad may be very tempted to do likewise. So there may be a general exodus of mining and plantation companies. Again, the Chancellor's proposals will undoubtedly threaten overseas investment generally. At the annual meeting of Consolidated African Selection Trust recently, Mr Chester Beatty said that 'unless the Chancellor's present proposals are greatly modified, the new tax will bring to an end development of new overseas mining ventures controlled from this country'. He then enumerated the advantages that Britain's overseas mining industry brings in the way of foreign exchange, exports of machinery and equipment and United Kingdom access to raw materials that are not available in this country.

A considerable part of the current balance of payments deficit is, of course, accounted for by capital investment abroad by the oil companies and others, so that at the present time the Government may not be too well disposed to foreign investment. The trade unions, too, may prefer exports to invisible earnings, for reasons of full employment, but no amount of wishful thinking or doctrinaire policy can alter the hard facts of economic life. With increasing nationalism, exporting to some countries is wellnigh impossible without some degree of local manufacture or assembly or investment, and overseas income is better than no income at all. Moreover, since visible exports fall far short of imports, invisible exports are the breath of life to this country, and there is now no income of consequence from foreign railways and a good deal less interest on foreign Government loans. It will be a sorry day for this country, as Mr Chester Beatty points out, when the principle that investment overseas should as far as possible suffer no greater tax burden than investment in the United Kingdom is abandoned. And this goes for insurance and other services as well as manufacturing and mining.

The Chancellor's statement contained no mention of overseas trade corporations, and anxiety is felt on this score, particularly as the minority report of the Royal Commission contains these words:

> 'we wish to dissent from the following principal recommendations in the report: 217 (55) introduction of a special category of overseas trade corporation to be exempt from tax'.

At present, companies with overseas trade corporation status are exempt from United Kingdom profits tax, and their United Kingdom tax bill is confined to the excess of the United Kingdom standard rate of income tax over the total rate of tax paid overseas, but United Kingdom investment income bears United Kingdom tax in the normal way. *(To be continued.)*

Clientage

by RONALD SHERBROOKE-WALKER, C.B.E., T.D., D.L., F.C.A.

THIS article is for practising accountants only, and if any client allows his curiosity to overcome his sense of delicacy and fancying himself or herself to be one of the characters hereinafter reviewed embarks on litigation, I shall know exactly what to do.

Pace our legal friends, if I am sued for libel I shall take the advice of a wise old legal luminary whom I knew years ago. 'Plead that you didn't write the thing, my boy. If they knock you down on that, plead that you didn't mean the plaintiff. If you lose that one, plead that it hasn't done the fellow any harm. Failing this, say that anyway he deserved it. You needn't go any further because by this time the judge and the jury will have forgotten what it's all about and you will be discharged without a stain on your character. You might get stuck with costs but you could more than recoup them because by then you would have acquired such notoriety that there'd be newspaper competition for your life story and, far from being mulcted in heavy damages, you would make a handsome profit on the deal. If the Revenue got after you for tax remember it would be "well-earned income".'

Kind and Equable

After all that let's have a look at a few of the clients who have peopled the stage – and still do for all I know.

A., the managing director of a small company, was always kind and equable. He knew nothing of accounts but his eyes would light up and he would hold forth *ad lib.* when the stock or the debtors were under consideration. He always sped the parting auditors with handsome samples of the company's products. A pleasant audit.

B., also a managing director, but of a large and up-and-coming concern, was quite a different kettle of fish. A member of the profession himself, he knew much more than the auditor about the inner meaning of the year's figures. The young practitioner had to watch his step and heaved a sigh of relief when it was all over.

A big change to the work for Mr C., a practical motor-engineer in a small way, to whom any kind of book-work was anathema. He kept no records beyond a pile of oily bills impaled on a skewer, and one was only there because his relations, knowing his lack of business acumen, were worried about his affairs. I should have known! I started him off with what I thought was a simple set of books – a cash-book, petty cash-book, private ledger – and careful explanations, but when I came back in a couple of months to see how he was getting on, the first two were blank and my beautiful little private ledger, which I had lovingly headed and indexed, was being used as a garage diary!

After this, chastened and in wary mood, I posted down to the country to try to improve relations between a professional man and his Inspector of Taxes, but after much painstaking work and delicate probing I came to the conclusion, following a reconstruction of his income and expenditure, that he maintained himself on a minus quantity and in the end he had to be left to make his own peace. I wrote it off to experience.

Suave but Critical

A refreshing change was the investment world where a small staff of qualified accountants produced immaculately kept books and schedules and one rubbed one's eyes if a comma was out of place. Their chief, dignified, suave and critical in a friendly way, made one feel back at school and contributed not a little to one's general education in the niceties of the profession. I never forgot his politely restrained inquiry one day when I had asked my secretary to get him on the telephone for me and he asked mildly if I made a practice of ringing up clients in this way. I ate humble pie.

But I ate no humble pie with Mr X. who had just bought up some small clients. Summoned to meet him at a West End hotel, I had a long discussion and took down his instructions before a formal meeting between the parties to settle the deal. On the day he hectored and bullied us all indiscriminately and had to be asked not to shout, whereupon he apologized and started up again, finally denying emphatically that he had ever given me any instructions at all until reminded of the time and place of our earlier meeting. He kept his audit.

A pleasant change to an old-fashioned business presided over by a courtly elderly director who had everything cut and dried. One was received in audience on arrival and after kindly greetings was dispatched to one's duties until the audit was over. The staff reflected their chief and one old

clerk kept up the pleasant custom of ruling the tops of his figures '5' with a ruler. At the end there was another brief audience, one was entertained to an admirable lunch, patted on the back and sent on one's way until the next year.

Then there was the owner of a large merchanting business who made it quite clear from the start that he regarded auditors as an unnecessary evil, and was deeply suspicious of any queries raised and inclined to be obstructive. At first one scratched one's head for hours over what he was trying to hide and time spent on the audit made the fee look silly. But after a while, when one had got to know the staff better, it became clear that he was not trying to hide anything. It was just Mr Y.'s touchiness. Psychiatrists probably have a word for it, but it was not a pleasant audit.

Finally, and this was a client to be esteemed and remembered, there was the white-haired portly trustee of a large family trust. Authoritative, dignified and kindly, at first meeting one might have been excused for taking him to be a church dignitary since this was, in fact, what he was. His wide knowledge of investments, home and foreign, left one standing and how he acquired it all I never discovered. One felt quite inadequate but when paying the charges after one memorable audit he wrote a charming note and said he felt that the fee was inadequate for our helpful services and he had ventured to add something to it!

Clients, bless 'em. Let them all come!

THE ACCOUNTING WORLD

Cost Accounting in Jamaica

by ROBERT FOX, Juris D (Prague), F.C.W.A., A.M.B.I.M.

IN 1961 I accepted the position as first head of the Commerce Department in the newly-formed College of Arts, Science and Technology, Kingston, Jamaica. The College itself bears no similarity in its outer appearance to many of its counterparts in Britain. Instead of a Victorian building situated in a decaying business centre, the College is five miles from the congested centre of Kingston in thirty-five acres of pleasant grounds, adjacent to the famous Botanical Gardens in the shadow of the Blue Mountains. The capital cost of the College has been borne mainly by the Colonial Development Corporation while the Jamaican Government bears the running costs.

The privilege of belonging to a professional institute took on new proportions when, on arrival, I was met by one of the few qualified cost accountants in Jamaica. My colleague helped me to find my feet and introduced me to my new territory.

New Industries

Jamaica had been purely a trading nation fifty years ago, exporting sugar, bananas, pimento, coffee and citrus fruits, and importing all manufactured goods from England or the United States. But greatly stimulated by two world wars, new industries have developed – first and foremost, the bauxite industry, while later, consumer goods such as building blocks (there are no bricks in Jamaica), mineral waters, beer, shoes, furniture have been produced. Under the stimulus of foreign firms, goods have been produced under licence or produced for export in order to benefit from cheap and plentiful labour and tax concessions.

Manufacturers who formerly had concentrated on the home market, have entered the export field either for world exports or solely for the Caribbean area. The Jamaican Government has sponsored this development by granting tax concessions to new firms and erecting high tariff walls to aid home industries, and even prohibiting the import of goods where there is adequate home production. Meanwhile, a rather primitive agriculture has been strengthened by the creation of producer corporations or marketing boards.

Representation of the Profession

As far as accountancy is concerned, in addition to the three or four cost accountants, there are chartered accountants from the United Kingdom and the Commonwealth; a considerable number of certified accountants and strong bodies of members of The Chartered Institute of Secretaries and The Corporation of Secretaries. With the co-operation of The Association of Certified and Corporate Accountants and the secretarial bodies, we immediately started evening classes at the College for these three professional organizations. These courses have proved extremely popular, so that now we have nearly one hundred and twenty-five students studying for these examinations. While not able to offer classes for all parts, we have now reached Part II of the Finals of the Institute and the Corporation of Secretaries and Part I of the Final of the Association.

At a lower level we introduced a course on the lines of the National Certificate in Business Studies but with subject-matter adjusted to local conditions. This is run on a day-release basis for clerks but also acts as a stepping-stone to the professions. Part-time teachers have not been too difficult to recruit from expatriate accountants or local accountants with British qualifications.

I found lots of the accounting books used here completely out of date. They had been foisted on Jamaicans by coaching establishments which should have known better, and by so-called commercial schools out of touch with modern developments. The students are extremely keen. For many, professional qualification is a means of escape from depressed local conditions. Jamaica, which is racially unconscious of its differences is, however, strongly class-conscious; and if perpetual sunshine did not somehow relieve the condition of the poor, their position would be quite intolerable.

Learning by Rota

Unemployment and malnutrition are rampant; there is still a high degree of illiteracy, particularly in the country districts. As a consequence of all this, classes in the primary and sometimes in the secondary schools are far too big, and learning by rota is frequently the rule. It follows that students who come to the College frequently lack the ability to think independently and critically. Moreover, the present position whereby Kingston attracts the ambitious young men and women and keeps them there leads to intellectual impoverishment of the other districts, which is economically and socially unhealthy.

I felt that the essential fields of management needed coverage by new classes, and in the first year I introduced courses in marketing, insurance, personnel management, banking and, last but not least, costing. The Jamaican Manufacturers' Association and the Jamaican Industrial Development Corporation strengthened me in the belief that costing was a high priority subject. The former organization corresponds to the National Union of Manufacturers; the latter is a Government-sponsored body whose purpose is to attract new industries to Jamaica and help get them off the ground.

The first 'earth-breaking' ceremony as far as costing was concerned took the form of an *ad hoc* course which I ran under the title of 'Costing as the tool of management' wherein thirteen lectures covered the various aspects. I had hoped to convince management of the benefits of a costing system and felt I had done so when over one hundred people attended and participated spiritedly in the discussions following the lectures. Interest seemed to be sufficiently aroused, so in the next year I offered a course leading to Part I of the then Intermediate Certificate of The Institute of Cost and Works Accountants.

But then I found extreme reluctance and conservatism. Applicants had hoped that a costing course would be an easier and shorter one than the traditional certified accountants and chartered secretaries courses. Finding this not to be the case, they hesitated and nine out of ten said they preferred a – to them – well-known qualification. I argued that in well-developed countries cost accountancy is equally highly regarded, and that if they started in cost accountancy they would find themselves on the ground floor of a new profession, the services of which would be highly sought after. Nevertheless, I did not have great success. A small group started the I.C.W.A. course and some students sat their examinations for the first time last December. (The fact that the I.C.W.A. only allows Jamaican students to sit their examination in December and not in June is a handicap.)

A second course was started along these lines, but this time with the cost clerk in mind. This was a two-year day-release course in industrial studies. Here, costing and industrial organization takes a place next to accounting, statistics and economies.

At this time I was able to prove the demand for cost accountants. The Government instigated an inquiry into the affairs of a company which had been established with the aid of a Government subsidy, and I was asked to give evidence as a costing expert. (This matter is *sub judice* and I cannot, therefore, say more about it.)

I was to see later yet another facet of costing when I introduced standard costs at one of the sugar estates. This particular estate, belonging to an international sugar concern, was well run with a qualified secretary-accountant and works manager. The problem was a complicated one requiring the individual study of each operational field in order to set standards. Here I met a feature of Jamaican enterprise which I was later to find repeated in many branches of industry – i.e. top management well trained, but weaknesses at the lower levels. Most field managers know 'how' but not 'why', with communications extremely poor or non-existent. The attitude of many foremen is traditional – a 'left-over' from the old plantation days. The workers' attitude is often a personal attachment to the estate, but many being resentful of plantation life and of the pay which, although high, is only offered for a number of months. The present generation reflects the image of their predecessors and this only time and patience, with education, can blur.

Costing Advice

The factory attitude, on the other hand, is quite different. Here I found no tradition of resentment; the foremen are young, well-trained, keen, interested in modern methods of production, willing to co-operate and to give cost figures.

The Jamaican Industrial Development Corporation later requested me to act as cost consultant for any firm in Jamaica which needed costing advice. They had in mind not so much normal consultancy, where the expert prepares the report and then sees the

innovation through, but that any firm needing advice could consult with me as to whether I could help with suggestions and formulate a plan.

Over twenty firms approached me, so that at most I was able to make only four or five visits to each firm over a period of two months. However, I made myself available later for follow-ups. I found the work most stimulating; it was of wide range – far wider than I had imagined. There were factories with up-to-date accounting systems, but which had no costing system at all. Stores control was a particular weakness. In a country where most factories import their raw materials this is vitally important. Stocks are bound to be high and raw material expensive. Nevertheless, stock control was frequently non-existent. Few, if any, records were kept; no stock checks took place, with the consequence that production was often disrupted while costly substitutes were found.

In some factories, work was not recorded; or where it was, it was not reconciled with the actual time spent in the factory. No 'waiting time' was shown. In many cases not even historical costs were kept, so that estimates could not be checked against actual performance. It was the same with machine break-downs, maintenance and repair costs – they were rarely recorded.

Control Figures

A group in particular need of guidance was the successful craftsmen who had set up in business on their own, employing up to thirty workers. They had passed the danger point where they could no longer control everything alone; they felt that they needed help, but could not delegate and did not know how to choose suitable deputies. All that was required were simple control figures to show them their factory's progress, whether they were making a profit, and the position of their stock. But all the advice they could get from their accountants seemed far too costly, cumbersome and unsuitable to the scale of their enterprise. It was here that I most regretted that I could not help with more frequent and regular visits.

Another group, also of great interest, was that consisting of well-organized firms, which frequently had a good costing system. In asking for a consultant they hoped to benefit from the effect of an outsider who, away from the firm's tradition, could see the problems in a new light, discover weaknesses, or even give a new orientation to the problems. The cost accountant in Jamaica is in a lonely position. I remember as cost clerk and cost accountant how, in discussions with fellow students and senior members, I clarified my ideas. This is not yet possible here and therefore the few existing cost accountants hoped to benefit in this way from my visits.

What about general accountancy training in Jamaica? Training facilities for accountants and company secretaries are adequate both as far as tuition in our College and practical training in the Island is concerned. It would, of course, be helpful if the exceptionally gifted individual had the chance to work and study abroad for a few years, particularly if he is specializing, but even so the rule should be that he obtains his professional qualification before he leaves the Island or at least be in the final stages of his study. In this way those that go abroad will be the ones more able to profit.

In the case of costing the position is rather different. Part I and possibly Part II of the I.C.W.A. examination could be taken in Jamaica but educational facilities and industrial opportunities for training are not yet available.

Recruiting from Industry

In the near future both full-time, and particularly part-time, teachers at our College and in the other technical colleges will be recruited from industry and commerce. They lack a training college background but this can largely be overcome by establishing evening courses on the lines of the Technical Teachers' Certificate of the City and Guilds of London Institute and by in-service training for already appointed teachers. There will also be a great need, for some time to come, to recruit cost accountants from abroad. This will not be easy. Many firms have representatives in England or America who could help, or they can approach firms which specialize in interviewing in this field; but up to now, although in theory it seems simple enough – difficulties have often arisen. Many firms have found it difficult to pick the right man or have brought over a 'misfit' – possibly due to poor job specification on the firm's part, but the need remains.

A solution might be found in co-operating with the English and American cost accounting organizations who could perhaps select the applicant. Alternatively, consultants who specialize in finding technical teachers for overseas posts could make a valuable contribution to the development of costing in new nations.

On the cost consultancy side, there are a number of trade groups organized within the Jamaican Manufacturers' Association who would benefit enormously if they engaged a consultant who could investigate the possibility of adopting a uniform type of costing for their industry. Uniform costing could be devised and the training of cost accountants and cost clerks thereby greatly simplified. This could lead to close contact of colleagues within one field and to common research.

The need for help in Jamaica, as in all developing countries, is acute; but technical advice, training, and proper planning must go hand-in-hand with help that is purely financial so that money may be used to the best possible advantage and will fit in with the development plans of the country. Costing is but one facet of need in a developing country; but help in this direction, while only a small pebble dropped in the pool of need, would have ripples that would go out in ever widening circles to the benefit of industry and technical training generally.

Weekly Notes

CUSTOMS AND EXCISE REPORT

ALTHOUGH car purchases in the year to March 31st, 1964, were 40 per cent higher than in the preceding year and sales of radios, gramophone records, perfumery and cosmetics increased by 30 per cent, the reduction in the top rate of purchase tax from 45 to 25 per cent cut the yield of this tax in 1963–64 by £6 million to £565 million, according to the annual report of the Commissioners of H.M. Customs and Excise (H.M.S.O., price 12*s* 6*d*).

However, the report shows that net receipts from all taxes and duties under the Commissioners' control totalled £2,766 million – an increase of £96 million over the 1962–63 figure. The distribution of revenue between the main taxes was virtually unchanged; tobacco duty yielding £892 million (32 per cent), hydrocarbon oils £592 million (21 per cent), and alcoholic liquor £499 million (18 per cent). Only betting duties and the tobacco tax failed to expand at the same rate as the growth of total consumer expenditure.

Over 60 per cent of the yield from purchase tax was derived from goods subject to the standard rate of 25 per cent, while goods chargeable at 10 per cent accounted for a further 30 per cent of the total yield. In its first full year of operation the 15 per cent tax on ice-cream and confectionery yielded £54 million.

The report notes the rejection by the Richardson Committee of the proposed turnover tax. Of late, however, there have been suggestions that the indirect taxes might be reconsidered to give exporters a greater incentive.

EFFICIENCY AUDITOR

HOW may the efficiency of a firm be judged? Most accountants would argue that the best criterion in a competitive economy is the rate of profit on the capital invested. But even this measure is not always satisfactory given the fluctuating markets which many competitive products enjoy, or the differing stages of development through which a company may pass.

Some companies are inefficient even though they make profits, if other criteria are used to measure efficiency. For example, how many firms have an up-to-date system of stock control; how many evaluate their investment projects by discounted cash flow methods; and how many make really efficient appraisals of their markets both at home and abroad?

An article in *The Guardian* on Friday of last week by Christopher Foster implies that many British companies do not employ their resources efficiently. In the national interest he proposes that the annual statutory audit be supplemented by an efficiency audit. The latter should be conducted by a new body of management consultants since, in the opinion of the author, firms would have no confidence in a scheme operated by civil servants, and professional accountants cum auditors might find themselves faced by a conflict of loyalties and functions.

Mr Foster suggests that any critical reports should be submitted to the Board of Trade; their publication being deferred subject to the management putting its house in order. The 'ultimate sanction', if the board is unresponsive, would be 'either replacement of the board, liquidation, or even nationalization'.

While many shareholders would be only too pleased to have some effective means of activating their boards and obtaining thereby better results, it seems unlikely that, once the full implications of these particular proposals had been recognized, they would be received with enthusiasm.

SUSPENSIONS OF QUOTATION

A STATEMENT defining certain aspects of their policy regarding the suspension of a company's quotation has been issued by the Council of the London Stock Exchange.

In the past, companies which have become 'cash' companies through the cessation of their business have had their quotation suspended and the quotation has only been re-granted after a new application has been made covering in detail the new business of the company. In this way the Council have aimed at preventing the acquisition of company 'shells' for the purpose of obtaining quotation without full disclosure of a company's new business.

Hitherto the Council have been reluctant to suspend the quotation of small companies simply on account of their size or their financial or economic position, because they have not wished to remove the benefit and protection given by quotation to shareholders.

The Council have, however, noted that a tendency has developed to purchase the shares of a small quoted company, particularly when it is in difficulty and its shares are low in price, and then to use the company to take over an unquoted company in order to avoid the full prospectus requirements of the Council. The Council state that they will in future examine such cases critically and may require a temporary suspension and a new application for quotation where a quoted company is acquiring an unquoted company.

The Council will take similar action if they have reason to believe that a false market has been created in the shares of any acquiring company for payment purposes.

PRACTICAL STATISTICS

STATISTICAL sampling is still something of an unknown quantity for many accountants, but two talks on the applications of such methods at a recent meeting of the London and District Society of Chartered Accountants on December 8th suggest that there is a growing future for such techniques. In the opening talk, Mr E. H. M. Price, M.A., Economics Officer, Port of London Authority, explained how statistical sampling was used within the Port of London Authority as an aid to management. An analysis of the main commodity/country flows of goods is compiled from a 10 per cent sample of the two million or so port rate bills issued annually. The results are within 1 per cent of the true figure.

The second paper by Mr J. Draper, M.SC., Statistics Officer, Reed Paper Group, dealt with a variety of sampling systems used to control production quality and the level of stores and stocks, in particular, acceptance and discovery sampling. Thus, in one case stores containing some 5,000 commodities estimated to total some £40,000 in value were sampled to provide a reliable and acceptable estimate of the true value. Similar techniques are used for checking ledger accounts. In the illustration described by the speaker some one hundred and fifty thousand invoices were checked annually at the cost of some £4,400. A simple sampling scheme is now used whereby 10 per cent of the higher value invoices and 3 per cent of the lower values are checked, with a resultant saving of some £2,600 annually.

This is My Life . . .

by An Industrious Accountant

CHAPTER 256

THE end of the year sees the annual distribution of diaries to our staff. This is not as effusively generous as it may sound; these diaries are not morocco-bound, gold-leafed, de-luxe editions with embossed crests; they are strictly utilitarian, bought in bulk at first cost by our stationery department and drawn upon as required by each senior section head.

They have plain covers with a foolscap page for each day, including, be it noted, Saturdays and Sundays. This does not imply a seven-day working week, but merely the conservative outlook of the diary-makers – what was good enough for grandad half a century ago should be good enough for us today. Why should they recognize the five-day week?

When I was younger, I admit I occasionally scribbled a note on the page for the coming Sunday just to impress the gullible. 'Pretty busy these days, you know. Pressure full on', I would grunt with furrowed brows as I reached for the diary. 'May have to drop in over the week-end to clear that special forecast for the board.' There would be the faintest reminiscent touch of my favourite Prime Minister, William Pitt the Younger, toiling tirelessly through the night, his lighted study window shining like a star amid the blackness of the surrounding buildings. At least, so one might hope.

So far as the accounts department is concerned these diaries are meant to be used positively. We note ahead the date of all our meetings, deadlines for producing monthly trial balances or progress reports, promises to ring old J.J., or appointments to pick up that parcel for the wife before 5.30 p.m. on Wednesday week. When we write a letter of any importance we try to remember to insert a note in the following week's pages: 'Reply due from S. & Sons.'

Of course, we sometimes get dainty little presentation diaries from well-wishing clients (or hopeful suppliers of goods and services, notably insurance brokers and purveyors of office equipment). These are eagerly accepted at all levels, usually, I think, for subsequent donation to wives or growing children, the latter receiving them as treasures. I never seem to need such diaries personally; my own foolscap diary serves me in the office, and at home a separate domestic memory effortlessly and automatically clicks into gear . . . . 'a committee meeting next Wednesday evening? Quite impossible. You know that's our bridge night'.

I wonder why our practising colleagues don't issue diaries to valued clients, with pre-arranged memos in the appropriate daily space such as . . . 'Query P.A.Y.E. coding' . . . or 'Watch A.G.M. deadline' . . . 'Cash availability for dividend?' . . . and so on. An articled clerk could insert the notes in the slack pre-Christmas period; it would be cheap, useful and impactful . . . but probably some long-winded, hair-splitting, committee type would call it advertising and unethical.

It's particularly intriguing to watch our chairman use his diary. I invited him recently to a lecture at our local accountants' society on 'The Budget interpreted for the business man'. First he extracted a crumpled little book from a waistcoat pocket to see that the date was free. Next he consulted a magnificently opulent desk-diary (why don't I get presents like that?) kept up to date by his invaluable private secretary, and found that the date wasn't free. 'Meet B. 7.30', read the entry. So he summons his P.S. to ask who was this B.? She said she didn't know; he'd told her to make the entry like that; after some thought he said he'd ring home to check. There followed a brief conversation on the phone, with a concluding 'Oh, yes, of course, m'dear' – and I remembered he called his wife Bunty.

Reviews

Management Accounting in Practice

Second edition, by F. CLIVE DE PAULA, T.D., F.C.A., F.C.W.A. (Sir Isaac Pitman & Sons Ltd, London. 22*s* 6*d* net.)

This is the second edition of his well-produced book in which Mr Clive de Paula has successfully attempted to give non-accountants an appreciation of management accounting. He deals with the subject from the development of accounting in industry up to the last chapter on mechanized accounting and electronic computers. Students – especially those studying for the later examinations under the new syllabus of The Institute of Cost and Works Accountants – should be especially grateful for his very readable chapters on cash flow analysis and return on investment.

If any criticism can be made of such an otherwise well-planned and written volume, it is that a few examples and illustrations could have been added with advantage.

Office Economy By O. & M.

by G. E. MILWARD and P. H. S. WROE. (Macmillan & Co Ltd, London. 21*s* net.)

The Organization and Methods Training Council was formed in 1957 by nine companies. The Council decided to produce a book on simple office methods (not the subject of this review) for use as a text-book by any college with the necessary interest and facilities. The authors now take this idea further by suggesting co-operation between employers and colleges through the provision and use of practical examples for methods training. Though it is fairly clear to whom the book is directed, in fact anyone entering industry or commerce should find it useful as part of his general training.

The contents follow closely the syllabus agreed at a conference attended by the principals of certain technical colleges and the heads of O. & M. departments from a number of different companies. Chapters are included on the context of methods work, simplification of processes, devising a method, forms design, reproduction and copying, clerical aids, conduct of inquiries, procedure charts, simple office machinery, effects of change in methods and the evaluation of new methods. Wherever it is relevant, there is a check-list on the subject covered, which should be very helpful to the student and practitioner alike.

There is much sound common sense on topics that are not peculiar to O. & M. In particular, the section on the O. & M. report is worth reading by anyone who writes reports, regardless of his subject.

The book should help students to obtain the requisite basic knowledge of different mechanical and manual processes, though there is concentration on the smaller machines only, leaving out accounting machines, punched cards and computers. Nevertheless, there is an ingenious chart on 'The Field of Office Machinery' which covers the whole range of machinery and basic clerical operations, from electronic computers to envelope sealing equipment, and from communicating operations to filing operations.

The effects of O. & M. innovations on staff supervisors and management are discussed very sensibly and much good advice is given. A good rule, and one worthy of adoption by all services in an organization, is that O. & M. must justify its existence by evaluating its proposals. This sensible suggestion is then followed with a word of warning from the authors that some companies have made mistakes in claiming and 'over-claiming savings', so that O. & M. advisers became known as the 'razor gang'.

The authors acknowledge that human nature being what it is, the simplification of office procedures is a difficult object to achieve, because most people tend to make things complicated. Happily, their own book is not complicated, and for a common-sense, down-to-earth introduction to the subject, as well as a useful reference book for the majority of practitioners, then this is it.

Cost Accounts

Eighth edition, by WALTER W. BIGG, F.C.A. (Macdonald & Evans Ltd, London. 22*s* 6*d* net.)

It is a little over thirty years since Macdonald & Evans published Mr Walter W. Bigg's first edition of *Cost Accounts*.

In the intervening years preceding this new eighth edition there have been eighteen reprints. Terminology changes and new costing techniques have evolved and developed, but apparently nothing escapes the keen eye and ear of Mr Bigg; it is all taken care of in this latest volume, as one would expect of a practising consultant of such wide and deep experience.

In the 406 pages which this work has now attained, the whole subject of costing is logically and clearly expounded; though perhaps the more sophisticated modern developments could receive rather more extensive treatment.

The illustrations, examples and examination questions are again up to the previous high standards.

The Law of Contract

Sixth edition, by G. C. CHESHIRE, D.C.L., F.B.A., and C. H. S. FIFOOT, M.A., F.B.A. (Butterworth & Co (Publishers) Ltd. 55*s* net.)

It is a pleasure to review another new edition of *Cheshire and Fifoot* – the sixth in the nineteen years of the book's existence. The work has the unusual distinction of being valuable to both practitioners and students, the learned authors' treatment of their subject being sufficiently complete for the former and yet simple enough for the latter; its masterly lucidity is the work's great characteristic.

Some sections of the book have been extensively revised since the last edition and it need hardly be said that account has been taken of the numerous new cases in the field of contract which have in the meantime appeared in the law reports. Of these cases a great many have been concerned with hire-purchase agreements and the Courts have done their utmost to ensure that the hirer is not allowed to suffer by reason of the owner hedging round the agreement with exceptions from liability and excluding the conditions and warranties which would otherwise be implied. It is altogether appropriate, therefore, that the learned authors should have rewritten those parts of their work which are concerned with the doctrine of the fundamental obligation and the collateral contract, both of which are of great importance in hire-purchase law.

Students of the law of contract often appear to have difficulty in understanding the distinction between conditions and warranties; these should be considered, not alone, but together with the doctrine of fundamental obligation, and *Cheshire and Fifoot* provides an exposition of the rules and principles involved from which every student – and, indeed, many a practitioner – can derive much benefit.

The effect of illegality on an agreement is another matter not without difficulty. The authors have, to quote their preface to the new edition, 'struggled anew with the complex problems hitherto uneasily yoked under the title of illegality and have at least tried to think about them with fresh minds'. In the result they have with admirable clarity classified the species of illegality relative to the law of contract and also the consequences of illegality in its various manifestations.

Transport and Public Policy

by K. M. GWILLIAM (George Allen & Unwin Ltd, London. 35*s* net.)

The proper organization of business transportation and the proper knowledge of transportation costs is of obvious and immense interest to many accountants, as is the proper arrangement of public transport as it affects the employment and deployment of manpower.

This absorbing work is the result of the author's need for a textbook for students of the economics of transport at Nottingham University. It deals with inland transport in the United Kingdom only and does not specifically touch on the co-ordination of export and inland transport, nor does it touch on the total distribution cost concept which has recently been discovered in trying to make sense of this facet of business expenses, and which must surely become more acknowledged as time goes by.

The book does, however, have some pertinent things to say about the difference between the economist's views and those of the accountant on the purpose and measurement of depreciation, the economic possibility of the 'throw-away' capital expense, and investment decisions (discounting future income).

Obviously there is much also about the growth of the present rail systems and the degree to which they are publicly owned and controlled by the State or by municipalities; the growth and the decline of canals; and lastly, the improvement of roads, the tramways, motor-buses and inland passenger airways that now exist. There may be a special interest, in the present context of a new Labour Government, in the author's description of the 1947 Transport Act, as, 'the first attempt to treat the transport problem as a single integrated problem'. The difference in political philosophy which led the Conservative Government to pass the 1953 Act, while understandable, left some odd features in the structure of the public transport – which is, of course, consistent in the British tradition.

The book concludes with an examination of the 'Beeching Plan', current political policies and the relationship of British transport with those in the Common Market area.

The Universal Encyclopedia of Mathematics

Foreword by J. R. NEWMAN. (George Allen & Unwin Ltd, London. 42*s* net.)

The publishers believe this to be the first popular encyclopedia or reference book of mathematics of its kind. The subject-matter is arranged in alphabetical order and is based on the *Rechenduden* of the Bibliographisches Institut of Mannheim. The topics discussed range from the contents of the secondary school arithmetic course up to topics which are included in a mathematics degree.

The book is not intended for the professional mathematician, although no doubt they, too, may find it useful at times, but rather for the person who has an interest in mathematics and would like to pursue his studies further. It should not be confused with the conventional textbook, and the full benefit of the work will only be derived by someone who already has a fair mathematical competence.

The Economics of Capital Utilization

by R. MARRIS (Cambridge University Press, London. 45*s* net.)

The subject of this work is better described by the subtitle – 'A Report on Multiple Shift Work'. It was sponsored by the Department of Applied Economics at Cambridge and enjoyed the backing of the Board

of Trade; other Government departments and the trade unions, too, provided information.

The thesis which the book sets out to examine is whether, from the point of view of the economy, it would be better to establish small plants and operate the equipment therein intensively, i.e. by multiple shift working, as compared with the present system in which large plants are built and operated, generally speaking, for one shift only.

The author and his assistants bring together a wealth of useful information in which they test their theories; they conclude, however, that until certain legal restraints on the use of labour – in particular those relating to the employment of women – have been modified, the prospects for multiple shift working are somewhat limited. Furthermore, it appears that in the light of existing circumstances, industry on the whole has not considered deeply the implications of such a policy.

This is an important and thought-provoking study in applied economics which will interest many industrialists.

RECENT PUBLICATIONS

WHILLANS'S TAX TABLES AND TAX RECKONER 1964–65, by George Whillans, F.I.B., F.T.I.I., F.R.ECON.S. 10 pp. 10 × 6½. Card covers, 1–5 copies 5*s* 6*d* each, 6–24 copies 5*s* each, 25 or more copies 4*s* 6*d* each. Postage free. Butterworth & Co (Publishers) Ltd, London.

COST ACCOUNTING – A MANAGERIAL APPROACH, by Morton Backer, PH.D., C.P.A., and Lyle E. Jacobsen, PH.D., C.P.A. xii+678 pp. 9½ × 6½. 76*s* net. McGraw-Hill Publishing Co Ltd, Maidenhead.

TAX PLANNING AND THE FAMILY COMPANY WITH PRECEDENTS, second edition by David R. Stanford, M.A., LL.B. xxxv+496 pp. 10 × 6½. £4 7*s* 6*d* net (U.K. only). Sweet & Maxwell Ltd, London.

THEORY OF GAMES AND ECONOMIC BEHAVIOUR, third edition, by John von Neumann and O. Morgenstern. viii+641+ index. 8½ × 5½. 23*s* net. John Wiley & Sons Ltd, London.

BUCKLEY ON THE COMPANIES ACTS, Supplement to thirteenth edition, by G. Brian Parker, M.A., LL.B. xviii+143 pp. 9 × 6. 27*s* 6*d* net, postage 1*s* extra. Combined price of Main Work and Supplement £7 5*s*, postage 3*s* 6*d* extra. Messrs Butterworth & Co (Publishers) Ltd, London.

These books may be obtained from, or through, Gee & Co (Publishers) Ltd, The City Library, 151 Strand, London WC2.

Practitioners' Forum

AUDITOR'S ATTENDANCE AT STOCKTAKING

FOR many years professional auditors in the United Kingdom have had a reluctance to asume functions which might, however wrongly, give the impression that they were accepting responsibility for valuing stock-in-trade or work in progress which is outside their competence to assume. Legal judgments on the question of stock valuations have tended to accentuate rather than diminish this attitude, though one might have expected that the celebrated case of *McKesson & Robbins* would have redressed the balance.

With the publication of the Statements on Auditing (U 1 and U 2) issued by The Institute of Chartered Accountants in England and Wales, however, there can be little doubt in anyone's mind that the official view of the profession is now one of approval of periodic attendances at physical stocktaking.

Is it possible to devise a programme to cover what an auditor does on such occasions?

First, it is necessary to understand the purpose of attendance. Few auditors would claim the degree of technical knowledge to enable them to identify unmarked stocks and to value them, though of course in some cases this would be easier than in others. This, however, is not necessary. The main purpose of auditing is to test the efficiency of the system. Just as occasional attendance at wages payouts is an essential part of the audit programme in order that the *method* may be observed, so is attendance at stocktaking.

The auditor should therefore be provided in advance by the client with details of the method to be used and the names and qualifications of all persons carrying out stocktaking, with dates and times when each section or department will be dealt with. Copies of this programme should be given to the audit staff, each of whom will be positioned in a suitable spot for observation purposes, with a notebook to record what he sees being done and its relationship to the programme as planned.

The auditor should be entitled to ask for original stock sheets and should make notes on the contents of certain of these, so that they can be identified and agreed at some later date with the final stock summaries he will then receive. He should ask questions if he sees stock apparently being overlooked and will note stocks which clearly seem old or obsolescent. He should, furthermore, require that a particular section or set of stock to be recounted for his own satisfaction and identified on a particular stock sheet, and should in every case note extensively, for future reference and for annotation of his working papers and his stock audit programme, exactly what has been done.

In larger factories, a plan of the buildings showing the exact position of all store-rooms is an additional help in this task, together with the organization chart which will already have been placed on the 'permanent file'.

Finance and Commerce

Striving for Effect

WHATEVER shareholders in The Empire Rib Co Ltd may feel about the results presented to them in the latest report and accounts – and they have reason to be pleased – the general impression does not fill this reviewer with any great satisfaction. There seems to be a striving for an 'effect', as they say in the world of art, that has over-reached itself.

The size of the publication, from which this week's reprint is taken, has been increased from a shade over the generally-used quarto to 9¼ in. wide by 11¼ in. deep. There is nothing vital, of course, in mere size, although the fact that most people adopt one particular size does indicate that there is a reasonable, accepted limit.

But in this case, the extra inches have been used to spread a single-column consolidated profit and loss account over the width of two pages. On the left page is the narrative; on the right, six columns of figures. The beginning of 'Group Profit Before Taxation' is 14 in. away from the sixth of the columns of figures. And that is too far for the eye to follow conveniently. One great point in presenting information in words and figures is that the detail should come readily to view. Even with words alone, there is a limit to column-width that makes for easy reading.

Odd Look

Another point is that there is an apparent disinclination to state the period for which the profits are presented. Actually, the accounting date has been changed from March 31st to June 30th and the accounts therefore cover fifteen months to June 30th, 1964. But it is the 'Consolidated Profit and Loss Account for the period to June 30th, 1964' and, while the comparison columns are headed '12 months to March 31st, 1963', there is nothing above the current figures to show the period to which they refer.

Maybe this is a minor point. Elsewhere in the report, the 'fifteen months' is given. But it all seems part of the 'new look' which misfires. Why, for instance, was the list of directors omitted? Last year, Empire Rib did what other companies do: gave the names of the directors, the secretary and the address of the registered office, the registrars, the auditors, and bankers; but not this time.

And then there is that blank space beginning the chairman's statement. 'Chairman's Statement' is printed at the top of the left page which is then left blank for 8½ in. The wording starts with seven lines at the bottom of the page; there is room for another

THE EMPIRE RIB COMPANY LIMITED

CONSOLIDATED BALANCE SHEET AT 30th JUNE, 1964

	£	£	31st March, 1963 £	31st March, 1963 £
AUTHORISED CAPITAL (See note 1)				
10,000,000 Ordinary Shares of 1/- each	£500,000		£250,000	
ISSUED CAPITAL (See note 1)				
5,000,000 Ordinary Shares of 1/- each fully paid ..		250,000		112,500
CAPITAL RESERVES (See note 2)				
Excess of Net Assets of Subsidiary over book value of Shares	167,118		2,723	
Share Premium Account	426,755		—	
		593,873		2,723
REVENUE RESERVE				
Unappropriated Profit		49,235		4,342
		893,108		119,565
RESERVE FOR FUTURE TAXATION ..		52,500		4,850
CURRENT LIABILITIES				
Creditors and Accrued Charges	517,168		36,140	
Bank Overdraft (See note 4)	194,446		71,854	
Current Taxation	55,380		2,450	
Proposed Final Dividend less tax	53,594		19,781	
		820,588		130,225
		£1,766,196		£254,640

	Cost or Valuation £	Deprecia-tion £	£	31st March, 1963 £	31st March, 1963 £
FIXED ASSETS					
Land and Buildings	204,661	16,904	187,757		59,350
Plant, Machinery and Loose Tools	399,408	55,738	343,670		33,840
Railways and Rolling Stock	20,791	2,308	18,483		—
Fixtures, Fittings and Equipment	16,950	4,174	12,776		8,710
Motor Vehicles	18,485	4,022	14,463		4,100
	660,295	83,146	577,149		106,000
SUBSIDIARY COMPANY (See note 6)					
Shares at cost and Advances			10,067		—
TRADE INVESTMENT					
Shares and Unsecured Loan at cost ..		103,500		—	
Current Account		23,276		—	
			126,776		—
			713,992		106,000
CURRENT ASSETS					
Stock and Work in Progress (valued at cost or net realisable value)		419,675		80,387	
Debtors and Prepayments		608,658		59,403	
Secured Loan		20,000		—	
Cash in Hand		3,871		279	
			1,052,204		140,069
PRELIMINARY AND QUOTATION EXPENSES			—		8,571
			£1,766,196		£254,640

thirty lines. It just looks odd; and most odd things in life are odd because most people don't like them that way.

Umbrella Frames

Empire Rib came before the public investor at the end of 1961 when the 1*s* shares were brought to the Stock Exchange through a placing at 3*s* each. It was practically a one-product business – umbrella ribs and frames – which, as the Statement for Information published for the purpose of obtaining a share quotation stated, had 'expanded considerably in recent years following the promotion of the products of the company as an adjunct to the women's fashion trade. The production of umbrella frames in a variety of colours and of telescopic frames has contributed to this increase in turnover'.

But in the March 1963 accounts came a heavy fall in profits (which can be seen in the reprint) which, said the chairman, reflected 'the cool dry weather which prevailed over the British Isles for the greater part of 1962 coupled with the high level of stocks held by umbrella manufacturers'.

The accounts under review bring in the figures of Raine & Co Ltd, steel re-rollers and fabricators of Newcastle upon Tyne, which was acquired at the end of 1963, with profits accruing from July 1st, 1963. This explains the change in accounting date. To the profits shown in the present accounts, Raine has contributed over £131,000, as against £90,000 forecast at the time of its acquisition. The umbrella business has staged a recovery from £27,201 (twelve months) to £80,956 (fifteen months).

On-off Merger

Without these separate profit figures for the Raine and the old Empire Rib business, the accounts would leave a very decided query, and a word of thanks is due to Mr D. Royston, the chairman, for including them in his annual statement. Whenever a new factor is introduced into company accounts, the weight of it should be given – as in this case.

Further diversification and expansion seemed imminent last August. It was then announced that a merger on a share exchange basis had been agreed with the boards of Musical & Plastics Industries, manufacturers of musical and electronic instruments, plastics and gramophone records, and F. H. Tomkins, manufacturers of metal smallwares and wirework. Mr Royston is chairman of the former company and a director of the latter. And then, in a way that left many observers of the situation feeling somewhat uncertain, the whole deal was called off for re-presentation at some future time.

Mr Royston explains that it was not a take-over but a merger and the terms of merger could be more fairly worked out given a longer period wherewith to judge the respective profitability of each component and so more narrowly and fairly measure the terms of exchange of shareholdings.

NOTES ON THE ACCOUNTS

1. Share Capital

(*a*) **Authorised Share Capital**
In accordance with the letter sent to Shareholders on the 11th February, 1964, the Company's Authorised Share Capital was increased from 5,000,000 1/– Ordinary Shares to 10,000,000 1/– Ordinary Shares.

(*b*) **Issued Share Capital**
A rights issue amounting to 1,125,000 Shares was made to existing members on the basis of 1 Share for every 2 held by members on the 13th January, 1964. The offer was payable in cash at 4/3d. per Share.

Simultaneously 1,625,000 Ordinary Shares were placed with Robert Fraser & Partners Ltd., at a price of 4/3d. per Share.

The changes that have taken place are summarised as follows:—

	£
Issued Capital at 31st March, 1963—2,250,000 Shares at 1/– each	112,500
Rights Issues to existing members—1,125,000 Shares at 1/– each	56,250
Shares placed—1,625,000 Shares at 1/– each	81,250
	£250,000

2. Capital Reserves

(*a*) **Share Premium Account**

	£	£
Premium of 3/3d. per Share on 1,125,000 Shares issued to existing members		182,812
Premium of 3/3d. per Share on 1,625,000 Shares placed		264,063
		446,875
Less: Expenses relative to the issue	11,549	
Preliminary and Quotation expenses written off	8,571	
		20,120
		£426,755

(*b*) **Capital Reserve**

	£
Balance at 31st March, 1963	2,723
Add: Increase due to excess of book value of assets of subsidiary companies acquired during the period, over costs of acquisition	164,395
	£167,118

3. Contingent Liabilities *Guarantees have been given amounting to £90,000 in respect of liabilities of the Trade Investment Company.*

4. Bank Overdrafts *Bank Overdrafts are secured to the extent of £71,254.*

5. Capital Expenditure *Expenditure not provided in the accounts in respect of capital contracts amounts to approximately £175,000 (1963 Nil).*

6. Subsidiary Company not Consolidated *The Directors do not consider it necessary to consolidate the subsidiary company formed on 15th April, 1964, and which has not yet commenced trading as it would be of no real value to members of the company.*

7. Taxation
(*a*) *Following the change in accounting date of the parent company a further sum falls to be provided out of future profits in respect of the Income Tax liability for 1965/66. The taxation charge in the accounts has been related to the 15 months profits incorporated therein.*
(*b*) *The taxation charged in the accounts is arrived at after taking into account Investment Allowance relief of £4,357.*

THE EMPIRE RIB COMPANY LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD TO 30th JUNE, 1964

				12 months to 31st March, 1963		
	£	£	£	£	£	£
Trading Profit			247,517			27,201
Add: Other Income (Gross)						
Trade Investment—Dividends		25,000			—	
Administrative Charge		7,500			—	
Loan Interest		907	33,407		—	—
			280,924			27,201
Less: Directors' Emoluments						
Fees	1,250			300		
Managerial Remuneration	12,962	14,212		11,488	11,788	
Audit Fees		1,220			470	
Depreciation of Fixed Assets		44,398	59,830		7,512	19,770
Group Profit Before Taxation			221,094			7,431
Taxation on the Profits for the Period (see note 7)						
Income Tax		82,813			5,238	
Profits Tax		29,458	112,271		1,430	6,668
Group Profit after Taxation			108,823			763
Add: Balance brought forward from previous year			4,342			23,360
			113,165			24,123
Dividends Paid and Proposed						
Interim Dividend of 15% less tax		10,336			—	
Proposed Final Dividend of 35% less tax ..		53,594	63,930		19,781	19,781
Unappropriated Profits at 30th June, 1964						
Retained by Subsidiary Companies		31,478			2,575	
Retained by Parent Company		17,757	49,235		1,767	4,342

CITY NOTES

FESTIVE is hardly the word for the City in Christmas week. Even the habitual 'elbow-benders' have been without their usual gay abandon.

There is a marked absence of new year investment forecasting and there is also a marked absence of real turnover in the stock-market. Institutional funds are being used to present interest-rate advantage in the short-term loan market and private investors, even though they may not be selling, are definitely not buying.

At least the City has indulged the Christmas season by turning deaf ears to the more morbid of the rumours which went the rounds concerning merchant banking 'difficulties'. Self-persecution mania was in danger of developing in extreme form at one time.

But uncertainty persists concerning the state of sterling. The use of the special Reserve Bank credits for sterling support purposes, the prospect of continued pressure on sterling in the new year in the absence of any marked improvement in the December trade figures, and the possibility of an early spring General Election because of the failure of the Government's economic policies are hardly factors designed to induce confidence.

But in one sphere there is at least an indication of goodwill. The Halifax Building Society is to rejoin The Building Societies Association it left in 1956. Resumed membership follows an invitation from the Chairman of the Association, Mr Andrew Breach.

RATES AND PRICES

Closing prices, Tuesday, December 22nd, 1964

Tax Reserve Certificates: interest rate 28.11.64 3½%

Bank Rate

Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%
Mar. 22, 1962	5%	Nov. 23, 1964	7%

Treasury Bills

Oct. 16	£4	14s	0·69d%	Nov. 20	£4	14s	8·31d%
Oct. 23	£4	14s	5·44d%	Nov. 27	£6	12s	7·25d%
Oct. 30	£4	13s	11·61d%	Dec. 4	£6	12s	4·62d%
Nov. 6	£4	13s	5·09d%	Dec. 11	£6	12s	5·45d%
Nov. 13	£4	13s	3·71d%	Dec. 18	£6	12s	5·83d%

Money Rates

Day to day	5⅜–6⅝%	*Bank Bills*	
7 days	5¼–6¼%	2 months	6 13/16–6⅞%
Fine Trade Bills		3 months	6 13/16–6⅞%
3 months	7¾–8%	4 months	6 13/16–6⅞%
4 months	7¾–8%	6 months	6 13/16–6⅞%
6 months	8–8¾%		

Foreign Exchanges

New York	2·79	Frankfurt	11·09⅛
Montreal	2·99⅞	Milan	1743¼
Amsterdam	10·02⅜	Oslo	19·95⅝
Brussels	138·64	Paris	13·67¼
Copenhagen	19·30	Zürich	12·04

Gilt-edged

Consols 4%	63¼	Funding 3% 59–69	88¼
Consols 2½%	39⅝	Savings 3% 60–70	84 7/16
Conversion 6% 1972	100 3/16	Savings 3% 65–75	74 15/16
Conversion 5¼% 1974	92 3/16	Savings 2½% 64–67	91 1/16
Conversion 5% 1971	92¼	Treasury 5½% 2008–12	88
Conversion 3½% 1969	88⅝	Treasury 5% 86–89	83¾
Conversion 3½%	54 13/16	Treasury 3½% 77–80	72⅜
Funding 5½% 82–84	90¾	Treasury 3½% 79–81	72⅝
Funding 4% 60–90	90¼	Treasury 2½%	30⅝
Funding 3½% 99–04	60½	Victory 4%	96
Funding 3% 66–68	88 3/16	War Loan 3½%	54 7/16

Correspondence

The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Product Costing

SIR, – Since the total absorption costing method advocated by the contributor of the 'Management accounting quiz on product costing' in your issue of November 7th results in the incorrect stating of profit whenever production varies from sales, it is difficult to understand why this method should continue to be relied upon with such complacency.

The simple example given below (Fig. 1) will show the error implicit in the system.

Under total absorption costing, profit is overstated in period 2 simply because production exceeds sales, and fixed overhead is deferred in closing stock until the following period. This means that the dictum that profit cannot be made until a sale takes place is completely abandoned.

With reference to your contributor's suggestions with regard to product price-fixing, marginal costing would be of assistance to him.

A company must have a fair idea of its total fixed costs, and of its capital employed. It must also know what return on capital employed it has a right to expect.

(Fig. 2)

Let us assume the following facts:
Capital employed £1 million
Turnover £2 million
Fixed costs £620,000
Return on capital to be 18 per cent, i.e. £180,000
Turnover ratio S/C=2m/1m=2.

From this we see that the overall profit/volume ratio is (S–V)/S=40 per cent.

If there are a number of product lines we may vary the P/V ratio of individual products, but overall we must maintain the 40 per cent.

Now the selling price of any new product may be fixed on a 'first shot basis' by carefully estimating its direct of variable cost, and dividing that figure by (100 per cent—P/V per cent). Thus if the marginal cost of an article is estimated to be £6, the selling price would have to be £6÷60 per cent=£10 to give a P/V ratio of 40 per cent.

It is true that fixed costs cannot be ignored, but marginal costing will assist in fixing what the new sales turnover must be, if, because of changes in capacity, fixed overhead has to be increased.

Thus, in the illustration given above, (Fig. 2), if a new product requiring additional capacity is to be introduced, and it is foreseen that as a result fixed costs will rise to £650,000, then sales, with the same profit as before, would have to be (F+P)÷P/V per cent, i.e. (£650,000+£180,000)÷40 per cent= £2,075,000. If an additional profit of £5,000 was required, then total turnover would have to rise to £2,087,500.

Yours faithfully,
L. W. J. OWLER,
F.C.I.S., F.H.A., A.C.W.A.
Haywards Heath, Sussex.

P.A.Y.E. Coding Notices

SIR, – My office is now receiving notices of amended code numbers for 1965–66. I note, for example, that allowances of Nil are Code 1; allowances of £40 Code 169; allowances of £300 Code 239.

When code numbers were first introduced, the idea was that every £5 of allowances roughly represented one code number. In recent years every £3

(Fig. 1)

Variable costs £300 per unit; Normal capacity 500 units;
Fixed overhead £10,000; Selling price £500 per unit.

Absorption costing Period	1	2	3	*Marginal costing*	1	2	3
Production (units)	500	600	400		500	600	400
Sales (units)	500	500	500		500	500	500
	£	£	£		£	£	£
Sales (£000)	250	250	250		250	250	250
Opening stock	—	—	32	Marginal cost of sales	150	150	150
Cost of production	160	192	128				
Under/(over) absorption of fixed overhead	—	(2)	2	Contribution	100	100	100
Less closing stock	—	32	—	Fixed overhead	10	10	10
	160	158	162				
Profit	90	92	88		90	90	90

of allowances—roughly has represented one code number. We now have a position where up to £640 of allowances, the code number is actually greater than the allowances themselves. Would it not therefore be much simpler for the Inland Revenue to simply give a code number the same as the value of the allowances, e.g., allowances £400 Code 400; allowances £500 Code 500.

In this connection I would ask your readers to consider how many man-hours would be saved by Inland Revenue staff not having to convert allowances to code numbers and by accountant staff not having to check such conversions of the notices of coding. At the higher levels there would appear to be no reason why allowances should not be restricted to even numbers or the tables would simply be on a reduced level with the nearest whole number being used.

Yours faithfully,

Manchester. JACK ROSS, F.C.A.

Taxation Case

A full report of the case summarized in this column will be published, with Notes on the Judgment, in the 'Annotated Tax Cases'.

C.I.R. *v.* B. W. Nobes & Co Ltd

In the Court of Appeal – November 26th, 1964
(Before Lord Justice HARMAN, Lord Justice DANCKWERTS and Lord Justice SALMON)

Income tax – Annual payment – Deduction of tax – Dividends mainly absorbing current income – Whether annual payment out of taxable income – Income Tax Act, 1952, sections 169, 170.

The company carried on business as a ship-broker and its accounts were made up to March 31st each year. On March 31st, 1958, the company had a balance on profit and loss account of £4,449, but the total taxed profits from the date the business began in 1951, less dividends, was, on March 31st, 1957, it was contended, £74,188. In May 1957, the company caused a company (Aconite) to be incorporated, and both the shares therein were held by the respondent company. On July 12th, 1957, the respondent company made a deed of covenant with Aconite, whereunder, in consideration of the allotment to the respondent of the other ninety-eight shares in Aconite, the respondent covenanted to pay to Aconite, in each of the nine years until April 5th, 1966, a sum equal to the net income of the respondent in each of those years derived from certain sources; but the sum paid in each year was not to exceed the respondent's income from all sources charged to income tax in that year, reduced by other annual payments. It was common ground that the payments in question were annual payments within section 169 of the Income Tax Act, 1952.

On July 18th, 1957, the respondent made an agreement with another company (C.I.F.), whereby the respondent sold to C.I.F. the whole of the issued capital of Aconite for £45,000. The sum of £100 was paid on completion, and the balance was to be satisfied by the payment to the respondent in each of the same nine years to April 5th, 1966, of a sum equal to the net profit of Aconite. If the aggregate of these sums exceeded £45,000, the purchase price was to be increased by the excess.

It was common ground that the sums received by the respondent from C.I.F. were received as capital. An account was opened in the respondent's ledger under the heading 'Shares in Aconite Investments Ltd'. On the debit side the payments to Aconite were the gross payments, and the sums received from C.I.F. were payments on account equal to the amount paid by the respondent to Aconite. Thus the account exactly balanced, and because of this the transaction did not appear in the respondent's audited account except in notes on the balance sheets.

For the year ended March 31st, 1958, the net profit of the respondent, including the balance brought forward was £35,774, and out of this the respondent paid dividends of £34,349 leaving £1,425 to be carried forward. During that year the net payment to Aconite was £25,225. For 1959 the net profit, including the balance brought forward, was £26,727, and the net dividends came to £24,500, so that the balance carried forward was £2,227. The net payment to Aconite for that year was £27,097. For 1960 the net profit, including the balance carried forward, was £30,984, and the net dividends came to £24,500 and the balance carried forward was £6,484. The net payment to Aconite in that year was £26,539. At March 31st, 1957, the gross taxed income of previous periods, less gross dividends, was claimed to be, as stated, £74,188.

It was contended on behalf of the respondent that the annual payments made to Aconite were made out of taxable income of the appellant. It was contended on behalf of the appellants that the payments to Aconite were not made out of taxable profits, but were made out of capital, because for each of the years of payment there was not sufficient taxable income to cover both the payment and the dividend; and that the respondent was bound, under section 170 of the 1952 Act, to account for the tax deducted. The Special Commissioners decided in favour of the appellants.

Held (reversing the judgment of Mr Justice Plowman): the Special Commissioners' decision was correct.

Accountants must have 'Complete Integrity'

Bishop's Comments at Students' Annual Dinner in Bradford

If accountants were to serve the community as a whole they must have 'complete integrity and a philosophy of life' stated the Bishop of Bradford, the Rt Rev. Michael Parker, M.A., proposing the toast 'The Institute of Chartered Accountants in England and Wales', at the annual dinner of the Bradford and District Chartered Accountant Students' Society, held at the Connaught Rooms, Bradford, on December 16th.

Enormous changes were taking place in the social structure of the country and in the financial world. Only that evening had come the news of the new incomes policy and how the trade gap was far greater than had been hoped. These things, the Bishop said, inevitably pointed to the time when financial policy and administration would undergo vast changes and students would have to gear themselves to a new approach.

Philosophy of Life

The vital need in any community, the Bishop continued, was for a right and sound relationship, and in order to establish that relationship there was need for the elimination of self-interest. 'Only in this way could we reach that state of integrity and virtue which we would be able to administer to the good of the whole community'.

Emphasizing the need to find a philosophy of life, he said that without the development of such a philosophy it was not possible to be 'the good accountant we want you to be'.

Accountants and their Clients

Speaking of the essentials required of the accountancy profession, he went on to say that he was quite sure there were many people who looked to their accountant as one in whom they could put their whole trust. Although they were vitally concerned with financial matters, their relationship with the accountant was not entirely confined merely to matters of finance 'because in the complex society in which we lived, finance did not exist in its own right'.

On qualification, the Bishop told the students, they would find that they would be called upon to give advice on matters which had their starting-point in finance, but which covered a much wider field. In order that an accountant might give this advice he must be a man of integrity, wholeness of life and balanced judgement – judgement resting above all on principle.

Voluntary Work

Responding to the toast, Mr W. A. Rawlinson, F.C.A., President of the Leeds, Bradford and District Society of Chartered Accountants, said that accountants needed to be reminded of their objectives from time to time, otherwise they became lost in the fog of their daily work. They were all inclined, he went on, to take the work of the Institute for granted. A tremendous amount of voluntary work was done by members all over the country, and particularly by members of the Council.

New accounting techniques, he said, were providing a wider and more interesting career for today's articled clerk.

Mr F. T. Sobey, O.B.E., M.C., Chairman of the International Wool Textile Delegation, who proposed the toast of 'The Bradford and District Chartered Accountant Students' Society', said that the role of accountants was becoming increasingly important and there was a great need for their advice. He added that it would be one of their duties to industry to translate its requirements fairly and justly, and industry would rely on the advice accountants gave.

Mr J. K. Bagnall, a member of the Students' Society Committee, replied.

The toast of 'Our Guests' was proposed by Mr D. S. Rastrick, also a member of the Students' Society Committee, and Mr M. Read, Secretary of the Bradford Law Students' Society, replied.

The dinner was presided over by Mr M. Bendig, F.C.A., President of the Society, and among the guests were: Mr J. Heaton, F.C.A., and Mr D. Steel, F.C.A., members of the Council of the Institute; Mr S. Hall, B.A., F.C.A., lecturer at Bradford Technical College, and Mr K. W. Oxley, F.C.A., Past-President of the Students' Society.

Eightieth Anniversary Dinner

More than two hundred members and guests attended the eightieth anniversary dinner of The Nottingham Chartered Accountant Students' Society on December 16th – despite the bad weather (freezing fog) which caused hazardous travelling conditions. Perhaps the worst sufferer was Mr A. J. Meads, of The Birmingham Chartered Accountant Students' Society, who left his office at 3 p.m. and arrived only shortly before the speeches began about 9 p.m.

Mr W. L. Miron, O.B.E., T.D., J.P., Chairman of the East Midlands Division of the National Coal Board, who proposed the toast of 'The Institute of Chartered Accountants in England and Wales', said he had every possible admiration for the work of the chartered accountant. But he warned that the accountant's versatility and dexterity would at no time be tested and demonstrated more than during the next few months.

He spoke of 'the fiscal seesaw' operating at the present time with always the threat of the capital levy lurking in between. 'It seems a little inconsistent that at this time there should be such an agitation for the abolition of capital punishment', he added.

Referring to the recent comments in *The Economist* that the accountant was trained in a narrow field, Mr Miron felt that in general the business accountant participated on the widest front. 'In my submission the accountant is a precision tool for management or, as I prefer to call him, a "figuresmith".'

Extensive Opportunities

Responding to the toast, Mr R. P. Matthews, B.COM., F.C.A., a member of the Council of the Institute, turned his attention to the role of students and said that those who had now qualified were still largely in the position of students. At the Institute, he said, they, too, were busy trying to learn a number of things – how to cope with the problems of the articled clerks and with professional education.

Mr Matthews said there was a surprisingly large amount of administrative and paper work devoted to the future generation of accountants.

'I think the younger members in the students' societies have the opportunity to make a better job of things than we did. The opportunities are very extensive today', he commented.

The Secretary of the Society, Mr T. W. Parkes, responding to the toast of 'The Society', which had been proposed in witty vein by the eminent surgeon, Mr A. Dickson Wright, spoke of the landmark in the Society's history which the eightieth birthday celebrations formed and said that it had been a year of considerable activity and progress. A full-day lecture course at Nottingham University had been established and the quality of the lectures and the attendances had been highly satisfactory.

He said that the present series had been established as a three-day course supported, despite difficulties, by the majority of firms. Mr Parkes added that the year which had also been marked by a most successful third annual sports fiesta was marred by the death of the then President, Mr H. B. Bradfield, M.C., T.D., F.C.A., whose death was a great loss to the Society and the whole youth of Nottingham.

Presentation of Howitt Prize

During the evening the Howitt prize for the outstanding student from the area was presented by the donor, Sir Harold Howitt, G.B.E., D.S.O., M.C., D.C.L., LL.D., D.L., F.C.A., a Past-President of the Society, to Mr R. L. Evans. Sir Harold said he presented the prize for two reasons: he wanted to give himself the pleasure of being associated with Nottingham (where he was articled) and the Society, and also give a prize which would go to the student who had not merely shown himself able academically but was best suited for a future role in their great profession.

Sir Harold said this was not a one-sided affair as fifty-five years ago he had been presented with a silver watch on leaving Nottingham and giving up his work as secretary. 'It has been one of my most treasured possessions ever since', he said.

Mr T. Ashton, F.C.A., Vice-President of the Society, proposed the toast of 'The Guests', and Mr A. C. G. Rothera, City Coroner, responded. Mr H. W. Bonnello, F.C.A., President of the Society, presided over the dinner.

Eighty Years Ago

It is interesting to record on this anniversary the following extract from *The Accountant* of March 1st, 1884, referring to the formation of the Society:

> Nottingham has lately come to the fore in establishing a Students' Society, which, under the name of the Nottingham and Midland Counties Accountants' Students' Association, was formally inaugurated on the 30th ultimo. The President, Mr R. Mellors, F.C.A., delivered an opening address, and under his Presidency, with the support of an influential body of gentlemen as Vice-Presidents and Committee-men, assisted by the Honorary Secretary, Mr A. C. Bourner, A.C.A., the Association starts with every prospect of success. Although only recently formed it already numbers eleven honorary and about thirty ordinary members. It is intended, in due course, to establish a library, and arrange for lectures, classes and discussions, dealing with the subjects necessary for the examinations held by the Institute of Chartered Accountants.

There are now, at end-1964, 250 members of the Society.

Notes and Notices

THE ACCOUNTANT
Index to Vol. CLI: July–December 1964

The general index to this volume – July to December 1964, Vol. CLI – will be published with the issue dated January 2nd, 1965.

The parts of this volume should therefore not be sent for binding until the index has been added.

PROFESSIONAL NOTICES

MESSRS CHALMERS, WADE, IMPEY, CUDWORTH & Co, Chartered Accountants, announce that from January 1st, 1965, the firm will practise under the name of CHALMERS, IMPEY & Co.

MESSRS HARRISON, SON, HILL & Co, Chartered Accountants, of Charter House, 52 Gloucester Place, London W1, announce that Mr D. B. K. HARRISON, M.A., A.C.A., has been admitted a partner in the firm.

MESSRS KEMP, CHATTERIS & Co, in association with TOUCHE, ROSS, BAILEY & SMART, announce that as from January 4th, 1965, their address will be 3 London Wall Buildings, London EC2.

MR J. PRICE, F.A.C.C.A., who has been in practice at Temple Buildings, Bowlalley Lane, Hull, announces that he is merging with the firm of A. B. MOODY, Chartered Accountants. The new firm will be known as MOODY, PRICE & KEMP and the address will be Temple Buildings, Bowlalley Lane, Hull. Telephone 35195 and 36132.

MR R. D. SHERBROOKE-WALKER, C.B.E., T.D., D.L., F.C.A., announces that he is giving up practice on December 31st.

MESSRS RALPH D. OWEN & Co, announce that their address is now 33 George Street, Warminster.

MESSRS MEESON, MAKINSON & Co, of 6A George Street, Richmond, Surrey, and MESSRS WADE HARRISON & Co, of 4 Tokenhouse Buildings, King's Arms Yard, Moorgate, London EC2, announce that as from December 1st, 1964, they have formed an association of the two firms with a view to eventual amalgamation. Messrs ANTHONY MEESON, F.C.A., F.A.C.C.A., and P. G. GODFREY, A.C.A., A.C.W.A., have joined the partnership of MESSRS WADE HARRISON & Co whilst continuing as partners with MEESON, MAKINSON & Co.

Appointments

Mr William John Franklin, F.C.A., has been appointed a director of Cory Brothers & Co Ltd.

Mr R. Finlay Lochhead, C.A., has been appointed a director of James Scott (Electrical Holdings) Ltd.

Mr Raymond Edwardes, F.C.A., A.C.W.A., has been appointed divisional financial director of Hawker Siddeley Aviation's Avro Whitworth Division.

Mr K. W. Reddish, A.A.C.C.A., has been appointed chief accountant to British Overseas Airways Corporation.

Mr Frank Wilkinson, F.C.A., secretary of Hardura Ltd, and Associated Companies, has been appointed a director of the group.

NATIONAL INSURANCE CHANGES
Starting Dates

Details of the starting dates for the new rates of national insurance and industrial injuries benefits and pensions were announced on Friday of last week by the Minister of Pensions and National Insurance.

The changes include:

To operate from December 21st: Abolition of the earnings rule for widow's pension and widowed mother's allowance and increase from 60 to 65 in the age up to which a widow's pension may be awarded.

To operate from January 25th: Increase in the income limit below which self-employed and non-employed people may claim exception from liability to pay national insurance contributions (raised from £208 a year to £260 a year).

To operate from January 27th: Industrial injury benefit £6 15*s* (£5 15*s*); married couple £9 5*s* (£7 16*s* 6*d*); first or only child £1 2*s* 6*d* (£1); other children 14*s* 6*d* (12*s*).

Unemployability supplement £4 (£3 7*s* 6*d*); married couple £6 10*s* (£5 9*s*); first or only child £1 2*s* 6*d* (£1); other children 14*s* 6*d* (12*s*).

To operate from January 28th: Unemployment and sickness benefits £4 (£3 7*s* 6*d*); married couple £6 10*s* (£5 9*s*); first or only child £1 2*s* 6*d* (£1); other children 14*s* 6*d* (12*s*).

To operate from March 29th: Retirement pension £4 (£3 7*s* 6*d*); married couple £6 10*s* (£5 9*s*). Widow's benefits – widow's allowance £5 12*s* 6*d* (£4 15*s*); widowed mother's allowance £4 (£3 7*s* 6*d*); widow's pension £4 (£3 7*s* 6*d*); guardian's allowance £2 (£1 17*s* 6*d*); child's special allowance £2 (£1 17*s* 6*d*) for first or only child, second child £1 12*s* (£1 9*s* 6*d*), other children £1 10*s* (£1 7*s* 6*d*); industrial death benefit for widows £4 10*s* (£3 15*s*).

The rate of pension for '10*s* widows' will be increased to £1 10*s*.

To operate from March 31st: Industrial injuries disablement benefit – maximum £6 15*s* (£5 15*s*).

Contributions

From March 29th: the combined flat rate contributions will be increased (graduated contributions remain unchanged). The following are the main rates:

Employed	*Employee* *s*	*d*	*Employer* *s*	*d*	*Total* *s*	*d*
Man 18 or over (not contracted out)	13	8	12	11	26	7
Woman 18 or over (not contracted out)	11	5	11	2	22	7
Man 18 or over (contracted out)	16	1	15	4	31	5
Woman 18 or over (contracted out)	12	11	12	8	25	7
Self-employed					*s*	*d*
Man 18 or over					18	8
Woman 18 or over					15	4
Non-employed						
Man 18 or over					14	11
Woman 18 or over					11	7

E.C.G.D. ACCOUNTS FOR 1963–64

During the financial year ended March 31st, 1964, the Export Credits Guarantee Department increased its credit balance on cumulative account for 'commercial' business from £40,685,677 to £46,641,462.

Premium income for the year was £7,308,526 compared with £7,099,672 in the previous year and operat-

ing expenses amounted to £1,899,888 compared with £1,724,966. A total of £5,220,654 (£4,630,247) was paid out in claims of which it is estimated that about two-thirds will eventually be recovered. Recoveries during the year amounted to £2,963,604 (£1,941,457).

Guarantees given 'in the national interest' under section 2 of the Export Guarantees Act, 1949 for the purpose of encouraging trade with countries outside the United Kingdom and outstanding, rose from £169 million to £193 million. Arrangements made under the same section for the purpose of rendering economic assistance to countries outside the United Kingdom brought total liabilities under these arrangements in respect of principal and interest to £510,721,711 (£419,101,200).

In the account for 'encouraging trade' a surplus for the year of £2,360,005 (£1,739,597) resulted in a credit balance on cumulative account at March 31st, 1964, of £10,164,092 and in the 'economic assistance' accounts, a credit balance for the year of £300,026 (£230,674) resulted in a credit balance on cumulative account of £1,214,650.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Technical Advisory Committee

The 137th meeting of the Technical Advisory Committee was held at City House, 56/66 Goswell Road, EC1, on Thursday, December 17th, 1964, at 2 p.m.

Present: Mr S. Kitchen (in the chair). Messrs F. W. Allaway, G. L. Aspell, T.D., D. G. Bee, R. P. Brown, K. A. Buxton, P. J. Cavanna, K. P. Chapman, D.S.C., D. A. Clarke, L. H. Clark, S. M. Duncan, S. Edgcumbe, R. W. Foad, C. R. P. Goodwin, K. J. Hilton, A. P. Hughes, G. N. Hunter, H. Kirton, T.D., C. Yates Lloyd, A. G. Martin, G. M. Metcalf, F. L. Moulding, D. Napper, E. J. Newman, E. R. Nicholson, R. D. Pearce, C. J. Peyton, J. Perfect, A. L. Pitman, R. F. Prior, D. W. Robertson, B. G. Rose, H. G. Sergeant, H. G. Smith, C. C. Taylor, L. R. Turner and A. H. Walton, with Mr G. A. Slator, Acting Secretary to the Committee. Messrs J. Cartner, J. W. Margetts and D. C. Urry attended by invitation.

Membership

The chairman extended a welcome to Messrs C. J. Peyton and R. F. Prior who were attending a meeting of the Committee for the first time.

Mr D. S. Morpeth, B.Com., F.C.A.

It was agreed that the congratulations of the Committee should be conveyed to Mr D. S. Morpeth on his appointment to the Council of the Institute.

Subcommittees

Reports of progress were received in respect of nineteen matters and nominations were approved in respect of three new subcommittees.

Future meetings

Meetings in 1965 have been arranged for:

Thursday, February 25th, 1965
,, April 22nd, 1965
Thursday, June 24th, 1965
,, September 23rd, 1965
,, October 28th, 1965
,, December 9th, 1965.

LONDON CHARTERED ACCOUNTANT STUDENTS' LIBRARY

New library premises at 43 London Wall, EC2, have now been opened by The Chartered Accountant Students' Society of London. The library is very much larger than the old premises; there will shortly be two study rooms available and they will be open until 10 p.m. for evening study. There will also be a Students' Common Room and arrangements are being made for light refreshments to be available at certain times during the evening.

The premises will be open from Monday to Friday.

Library and Office	9 a.m. to 5.30 p.m.
Study Rooms	9 a.m. to 10 p.m.
Common Room	9 a.m. to 10 p.m.

The telephone number is National 4527.

The Committee hope that the new premises will be the beginning of the Students' Centre for which so much demand has been heard in recent years.

THE INSTITUTE OF INTERNAL AUDITORS

Manchester Chapter

The next meeting of the Manchester Chapter of The Institute of Internal Auditors will take place on Tuesday, January 19th, at 7 p.m. at the Chartered Accountants' Hall, 46 Fountain Street, Manchester 2, when the speaker will be Mr K. G. Wright, managing director, Independent Security Consultants Ltd. The subject of Mr Wright's talk will be 'Industrial security'.

Inquiries regarding the activities of the Chapter should be addressed to the Honorary Secretary, Mr F. Atherton, National Coal Board, King West Street, Wigan.

CROSSWORD SOLUTION

The solution to the Christmas Crossword compiled by Mr Kenneth Trickett, F.C.A., which appeared in last week's issue, is as follows:

F	L	O	A	T	I	N	G	C	A	P	I	T	A	L
U		V		I				O		L		U		E
T	W	E	N	T	Y			D	R	A	F	T	E	D
U		R		H		S		E		N		O		G
R	E	V	I	E	W	E	D		A	C	C	R	U	E
E		A		S		V		R		H				R
S	A	L	E		R	E	F	E	R	E	N	C	E	S
		U		Q		R		C		T		L		
S	P	E	C	U	L	A	T	O	R		B	E	A	R
H				A		L		V		D		A		E
E	X	P	O	R	T		T	E	L	E	G	R	A	M
R		A		T		E		R		B		A		A
I	M	P	L	I	E	D			D	I	N	N	E	R
F		E		L		I				T		C		K
F	O	R	G	E	D	T	R	A	N	S	F	E	R	S